British Sky Broadcasting Group plc

Annual Review 2008

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Highlights

£4.95bn
Group revenue

£724m
Operating profit

25.1p
Adjusted earnings per share

16.75p
Full year dividend per share

Sky is a valued part of everyday life in the homes of more than one in three families in the UK and Ireland.

We entertain, excite and inspire our customers with a great choice of high quality content. We make technology simple, put viewers in control of how they watch TV and bring them their favourite programmes in high definition. We connect customers to great-value broadband and telephony, and we back it all up with a commitment to exceptional customer service.

Seeing the bigger picture is part and parcel of the way we do business. We believe in acting responsibly and playing our part in the communities and society in which we operate.

Our company started 20 years ago with a belief that people deserved better choice. That founding belief holds just as true today as it did then, even though the way we meet customers' needs has changed dramatically.

Our commitment remains the same: we continue to work to offer more choice and to bring more opportunities to more people.

We believe in better

Chairman's statement

James Murdoch
Chairman

Over the last year, we have continued to position our business to take advantage of fundamental changes in the way in which customers consume media and communications. These changes are creating significant opportunities for companies that have the capability and the appetite to adapt their businesses.

The steps that we have taken are delivering results. We have gained exposure to an enlarged growth opportunity in the broad marketplace for entertainment and communications. The expansion of our product set has provided more tools than ever to meet the needs of our existing and future customers, and our focus on quality, choice and value is being met by increased demand. As a consequence, more customers are choosing Sky for a broader range of products and services than ever before.

Sky is a business that makes a positive contribution to life in the UK and Ireland: through the products chosen by millions of customers; through our investment in much-loved content; and through our commitment to innovation. A further dimension of that contribution is the sense of responsibility that we bring to the way we do business. We continue to make progress in our work to contribute to a healthy environment and to develop our activities in sport and the arts.

After serving for 18 years on the Board of the Company, Rupert Murdoch decided to step down as Chairman and as a Director in December 2007. On behalf of the Board and shareholders, I would like to express our gratitude for his unparalleled contribution and tireless dedication to Sky. His spirit and vision have been instrumental in growing the business from a standing start to reach more than one in three households across the UK and Ireland.

Having stepped down as Chief Executive in December 2007, I am pleased to have the opportunity to continue to serve the Company in a new role as Non-Executive Chairman. I am delighted to have been succeeded as Chief Executive by Jeremy Darroch, who is the first person from within Sky to have been appointed to that role.

Jeremy has been a key part of the Company's leadership team since joining Sky as Chief Financial Officer in August 2004 and has been instrumental in our progress over that period. The Board considered Jeremy to be the outstanding candidate for the role of Chief Executive and I am certain that under his leadership the Company will continue to grow and prosper.

Andrew Griffith joined the Board in April 2008 on his appointment to succeed Jeremy as Chief Financial Officer. Andrew was previously Sky's Director of Group Finance, M&A and Investor Relations and his appointment is further evidence of the strength in depth of our management team. I would also like to welcome Daniel Rimer to the Board following his appointment as a Non-Executive Director, also in April 2008.

Finally, I would like to thank all my colleagues at Sky, including those at Amstrad who have recently joined the Group, for their hard work and commitment over the past 12 months. The opportunity for Sky has never been greater and we are well positioned to achieve continued growth on behalf of shareholders. That confidence is reflected in the proposed 8% increase in the full year dividend to 16.75 pence per share.

37%

Increase in the dividend over the past two years

1 in 3

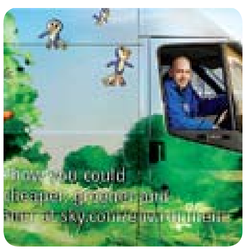
More than one in three households in the UK and Ireland have already chosen Sky

40,000

Hours of sport shown this year across five core Sky Sports channels

17,000

Sky Sports Living for Sport has reached over 17,000 young people in more than 600 schools

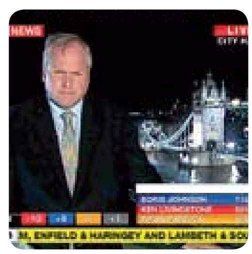


4.4m

Our field engineers make more than four million home visits a year

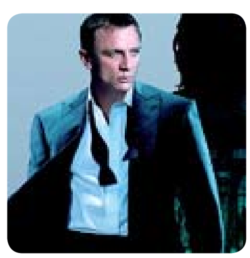
3

High definition Sky Movies channels

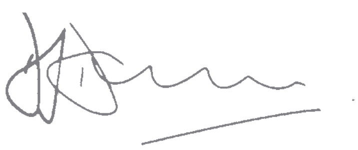


1m

Our customer advisers handle around one million calls a week



Chief Executive's statement



Jeremy Darroch
Chief Executive

Our goal is to be consumers' first choice for entertainment and communications. We believe that customers deserve better: better content; better products; better service; and better value. This fundamental belief underpins both our strategy and our operational performance.

It is the basis for our confidence that we have both the opportunity and the capability for long-term, sustainable success.

The opportunity is substantial. The coming together of previously adjacent market sectors provides significant headroom for growth. A growing consumer appetite for choice, control over viewing and connectivity is driving increasing demand across our core product categories. And consumers are rewarding trusted providers who meet their needs for quality, value and service.

Our capability as an organisation is the basis for competitive advantage. The strength of our business and our position today as the choice of more than one in three families in the UK and Ireland provides a strong foundation. The combination of our brand, product set, content offering and service infrastructure sets us apart in a competitive marketplace.

Continued execution against this opportunity and capability will deliver an expanded customer base, top-line revenue growth and accelerated financial returns, creating significant value for shareholders.

Looking back, 2008 has been a year of significant achievement, particularly against the backdrop of a more challenging consumer environment. We have grown our customer base in line with our targets, reaching 8.98 million in June; we have established ourselves as the fastest growing broadband and home phone provider in the UK; we have seen record new product take-up, in particular with Sky+; and the actions we have taken to improve the quality of our customer base have delivered a step-change in churn. More customers are choosing Sky, they are taking more products from us and they are staying with us for longer.

There is no doubt that the consumer environment is more challenging today than it has been for some time. Against that backdrop, our business has continued to perform well. No consumer business can be entirely immune to an economic downturn and it is impossible to predict with certainty the effects the current environment will have. However, there are a number of factors specific to Sky that mean we are well placed relative to other consumer businesses. These include the strong, high-quality business that we have today, the value of our product set and the fact that there is good headroom for growth in all of the segments in which we operate. Our ability to save customers money through broadband and telephony, investment in products like Sky+ that improve loyalty and satisfaction, focus on quality in our acquisition and retention strategy, and leadership in customer service are all important in this context.

One of the greatest opportunities for our business is the chance to offer more products to the homes that choose Sky. We are already seeing positive trends, with over five million product sales during the year, a threefold increase over the last four years. This demand is driving new customer acquisition and helping to cement customer loyalty. Over half of our customers now take more than one product from us, and for new customers this percentage is even greater. There remains a substantial opportunity for growth with only around one in ten of our customers taking all three of TV, broadband and telephony from Sky.

The year at a glance

JULY

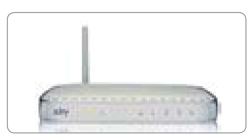
Sky announces a £125 million offer for Amstrad plc to drive innovation for customers and supply chain efficiency.

AUGUST

Sky Sports begins its biggest ever season of FA Premier League coverage, with 92 matches exclusively live and more ways to watch than ever before: on TV, in HD, online and on mobile phones.

SEPTEMBER

The 'Believe in better' message takes centre stage in Sky's new brand marketing campaign.



OCTOBER

Sky Broadband passes the milestone of one million customers after just 15 months.

NOVEMBER

Sky is named among Britain's top three "Most Admired" companies by Management Today magazine.

DECEMBER

Sky Box Office breaks records for a pay-per-view event with more than one million 'buys' for Ricky Hatton vs Floyd Mayweather.

8,980,000

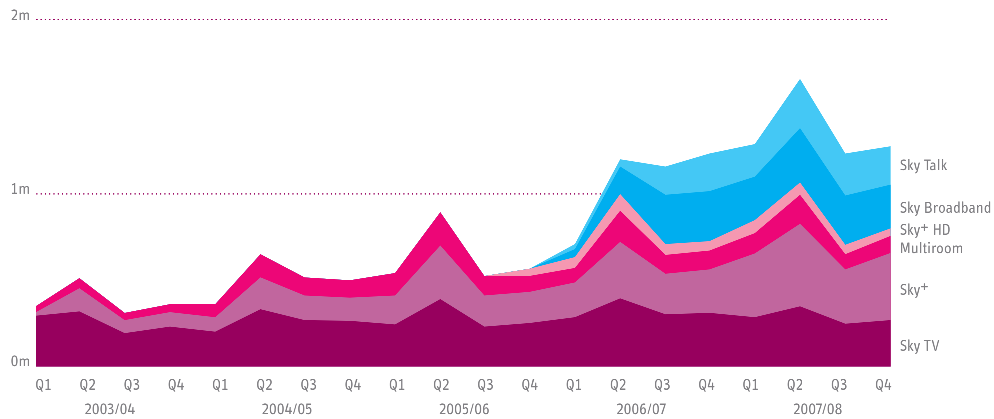
DTH customers

398,000

Net customer additions

Total product sales have increased threefold over the last four years.

Total product sales



> “Our broadband and telephony businesses are quickly achieving scale. In less than two years more than 1.6 million households have joined Sky Broadband and we are making similar strong progress in Sky Talk, where we have grown to well over a million customers.”

Sky+ puts our customers in charge of what they watch and when they watch it. It has established itself as the gold standard for digital video recorders and has been a key driver of demand. This year, an additional 1.3 million homes chose Sky+ and it is now in more than 3.7 million households or 41% of our customer base. It is helping us attract new customers with strong product advocacy, and high customer satisfaction means that Sky+ customers tend to stay with us for longer. The growth of Sky+ is having a transformative effect on the way our customers watch TV, with an estimated 4.4 billion instances of time-shifting over the last year. Our Sky+ HD service takes this technology to a new level, with all of the well-loved features of Sky+ combined with a new high definition quality of TV experience providing us with a good platform for growth.

Our broadband and telephony businesses are quickly achieving scale. In less than two years more than 1.6 million households have joined Sky Broadband and we are making similar strong progress in Sky Talk, where we have grown to well over a million customers. As more customers respond to the great value and high quality that we offer, Sky Talk came first in seven of the 11 categories in uSwitch’s 2008 Home Phone Customer Satisfaction Awards, including best overall satisfaction.

Alongside growing demand for our products, we have made some important changes that support the quality and durability of our customer base. With a wider range of products and a stronger value proposition than ever before, we have been able to reduce the use of viewing

JANUARY

Environmental charity Global Action Plan is named as Sky’s charity partner for the next three years.

FEBRUARY

Sky News is named News Channel of the Year by the Royal Television Society for the sixth time in seven years after winning praise for “highly polished and outstanding” coverage.

MARCH

The Colour of Magic attracts Sky One’s biggest audience of 2007–2008 with 2.2 million viewers for the premiere of its first episode.

APRIL

Sky Sports secures a new three-year deal for UEFA Champions League rights from 2009, bringing customers more live coverage on more match days.

MAY

Sky Arts broadcasts coverage of the Hay Festival, the UK’s pre-eminent literary festival.

JUNE

Sky One is named Entertainment Channel of the Year at the Broadcast Digital Channel Awards.

package discounts to attract and retain customers. As a result, we are seeing a positive and measurable effect on the quality of new customers joining Sky and improved loyalty from existing customers, with churn at its lowest level for three years.

Content is our life-blood at Sky. We are continuing to strengthen our offering through investment in distinctive programming that makes us stand out and encourages people to join Sky. Alongside our successful partnerships with third-party broadcasters, we continue to develop our wholly-owned channels in sports, news, movies, entertainment and the arts. For example, we've recently renewed our agreement for coverage of the UEFA Champions League and will offer more live games than ever before. Sky One, our flagship entertainment channel, goes from strength to strength with outstanding original commissions such as Ross Kemp in Afghanistan, The Colour of Magic, Don't Forget The Lyrics and Gladiators, alongside compelling US drama like Lost, 24 and Prison Break. Sky News continues to set standards for coverage of breaking news, winning the Royal Television Society's News Channel of the Year Award for the sixth time in the last seven years, and we are further broadening Sky's appeal through our content offering with Sky Arts, the UK's only channel dedicated to all areas of the arts.

Customer service is as integral a part of the Sky experience as putting good content on screen. Our contact centres already handle over one million calls from customers a week, and our field engineers make over four million home visits a year. Our aspiration is not just to set the benchmark for the best customer experience in our own industry, but the best in any industry.

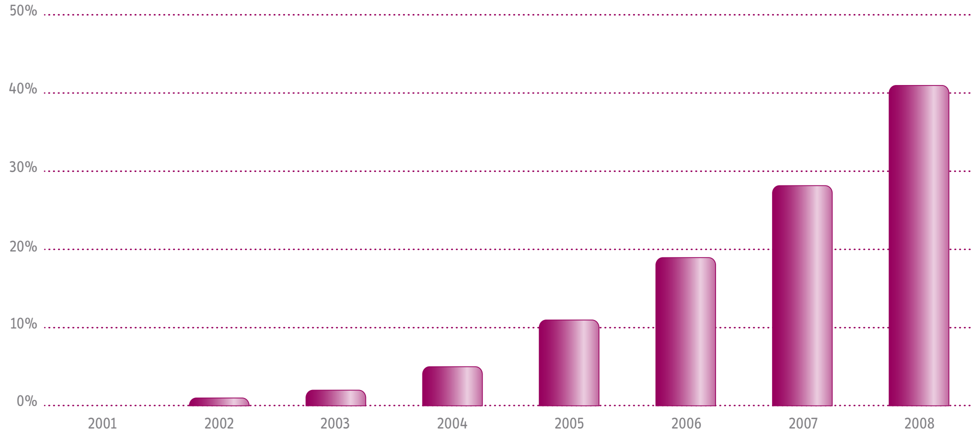
> "Content is our life-blood at Sky. We are continuing to strengthen our offering through investment in distinctive programming that makes us stand out and encourages people to join Sky."

Lost
Sky One

Songbook: Phil Collins
Sky Arts

More than 40% of customers now take Sky+

Sky+ penetration of customer base



54%

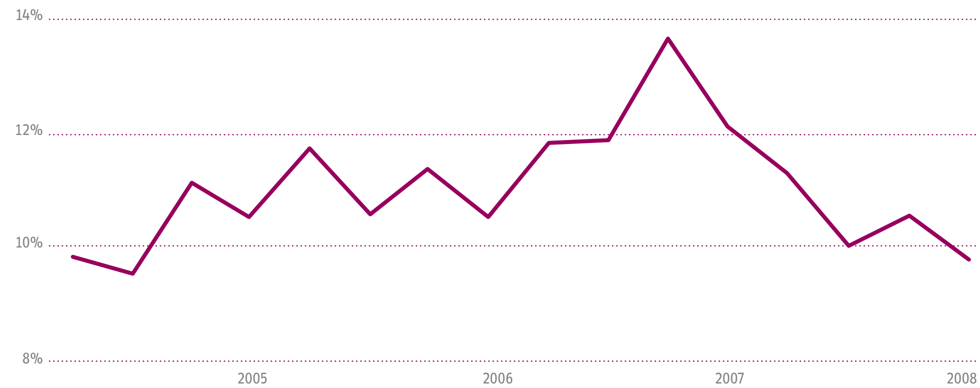
Proportion of customers taking at least one additional product

4.4bn

Instances of time-shifting with Sky+ in the last year

Churn has fallen to its lowest level for three years.

Quarterly annualised churn (%)



Financially, we are in good health and our strategy is delivering strong revenue growth to almost £5 billion. Operating profit of £724 million in the 2008 financial year was impacted by a number of expected cost headwinds, but we remain on track for our goals. After passing the peak of investment in the roll-out of broadband and telephony, we are focused on delivering enhanced profitability in line with our 2010 margin targets. We have a greater opportunity for growth than ever before and we are well positioned to create significant value for shareholders.

We believe that a successful and sustainable business is a responsible business; one that sees the bigger picture. We are committed to making a positive contribution to society, embracing the opportunity to work with our staff and customers to tackle the issues they care about. We have focused on three areas in particular where we believe Sky can make a real difference: encouraging participation in sport; making the arts more accessible and helping to tackle climate change.

We have already reduced our direct carbon footprint by 27%, and have worked with our customers to reduce their energy consumption. One year after launch, our 'auto standby' feature – a world first – has been downloaded to more than four million Sky+ and Sky+ HD boxes, saving our customers £12 million on their electricity bills as well as 52,000 tonnes of CO_2. To help make the arts accessible and appreciated by all, we have partnered with a number of leading arts organisations and events across the UK, including English National Opera (ENO), English National Ballet and the Hay festival.

Our work with ENO has allowed thousands of Sky customers to attend performances for just £5, and hundreds of local schoolchildren have been offered educational workshops. Through our recently announced partnership with British Cycling, we want to help one of Britain's most successful Olympic teams achieve even more success, develop the next generation of talent and inspire millions of people to get on their bikes. Our Sky Sports Living for Sport programme – now in its fifth year – has helped more than 17,000 students at risk of opting out of school life to reach their full potential. We are proud of the contribution we've made in each of these areas and are committed to building on these foundations in the years ahead.

We challenge ourselves constantly to be a business that is adaptable and embraces change; an organisation that's prepared to take decisions and control its own destiny. That culture has been part of Sky since the very start. It's from that culture that we've derived our success: in backing our belief that people wanted more choice in television viewing; in raising the bar for the way in which sports and news are covered on TV; in developing innovative products like Sky+ and Sky+ HD which transform the television experience; and in building a broadband and telephony business to scale from scratch.

That capability within the organisation is growing every day. Our people are the key to our success and I would like to pay tribute to them for their hard work, creativity, dynamism and dedication. All of us at Sky will continue to focus our efforts on the things that we know really matter to our customers: great content, great value and great service. We see huge potential for continued growth and value creation and we believe we are better placed than ever to deliver.

> "One year after launch, our 'auto standby' feature – a world first – has been downloaded to more than four million Sky+ and Sky+ HD boxes, saving our customers £12 million on their electricity bills as well as 52,000 tonnes of CO_2."

Believe in better

By wanting to give you more...

Choice, quality and value

We want to be people's first choice for entertainment and communications. In a fast-changing marketplace, customers are increasingly rewarding trusted providers who offer real choice, quality and value – that's why more people are choosing Sky every day.

Sky has always stood for the best choice of TV available. We began with a belief that viewers in the UK and Ireland would respond to increased choice and quality on screen, and our commitment to outstanding content is just as strong today. Depth and breadth of programming in entertainment, news, sports, movies, documentaries and the arts is at the heart of what we do. So is the way we use technology to enhance the viewing experience and make life easier for customers. We've led the way with innovations like Sky+ and high definition TV as we keep pushing forward to meet customers' changing needs.

But being a Sky customer today doesn't only mean access to quality entertainment to enjoy how, where and when you want. It also means high-speed internet access with Sky Broadband and money-saving home telephone

calls with Sky Talk. With one of the UK's most recognised brands, Sky is well placed to bring together a range of products that meet the whole family's entertainment and communications needs.

Since the launch of Sky Broadband and the new Sky Talk in 2006, customers have responded to our transparent pricing and flexible packages by making us the UK's fastest growing broadband and home phone provider. In the last year, more than 900,000 customers have joined Sky Broadband and more than 700,000 have chosen one of our Sky Talk call packages.

Broadband and Talk allow us to give more value to existing Sky TV customers who can save money by choosing Sky for a broader range of services. After less than two years, over 10% of our customers are already choosing to take a combination of our TV, broadband and phone products. But that's just the start. As the trend for consumers to consolidate these services from a single source continues to grow, we believe that more of our customers will choose to take even more of our products in the years ahead.

As well as allowing existing customers to get more from Sky, the expansion of our product range has also created another reason for people to join us for the first time. With combined packages of TV, phone and broadband available from just £17 a month, many people can switch to Sky and get all of these services including a better choice of TV for less than they are paying their current provider for broadband alone.

Looking ahead, we continue to see a substantial growth opportunity. As we bring together the TV that customers love with great value broadband and telephony, we're well placed to encourage more families to join Sky, to stay longer and to take more from us.

Believe in better

By making magic happen

2.2m

2.2 million people watched the premiere of the first episode of The Colour of Magic

800

Sky Movies shows over 800 movies a month

Entertaining our customers

Millions of customers choose Sky because they love the quality entertainment we provide. We understand the importance of great TV and we invested over £1.7 billion last year to make sure our customers get what they want.

From our own home-grown drama and documentaries to the latest US hits, you'll find it on **Sky One**. The breath-taking adaptation of Terry Pratchett's Colour of Magic attracted more than two million viewers on its premiere, while the hard-hitting documentary series Ross Kemp in Afghanistan brought life on the front-line into millions of homes. Our unrivalled line-up of the best US shows got even better as Prison Break joined Lost, Bones, Battlestar Galactica and the Simpsons. No wonder Sky One was named Entertainment Channel of the Year at the 2008 Broadcast Digital Channel Awards, receiving acclaim for its "noisy, cut-through programming".

The same dedication to choice and quality can be seen on **Sky Sports** which screened an unparalleled range of sports from around the world throughout the year. Football fans were treated to a thrilling FA Premier

League title race, exciting Football League action and the first ever all-English UEFA Champions League final. Our international and county cricket schedules included all of England's home and overseas contests plus the inaugural ICC World Twenty20, while golf fans enjoyed two Majors live, all World Golf Championship events and the PGA European tour. There's international, European and domestic rugby union, Super League, ATP and US Open tennis, plus much more including round the clock news and views on Sky Sports News.

On **Sky Arts**, there's no distinction between the classical and the contemporary. We showcase the very best performances and programmes, including opera, dance, music, literature, theatre, architecture and the visual arts. We can offer this range and quality because we are the only UK channel dedicated to all areas of the arts, showing more arts-related programmes each week than the five terrestrial channels show in a month.

Since November 2007, the newly launched **Sky Real Lives** channel has been dedicated to telling moving, real-life stories. From the emotional journeys of conjoined twins Ladan and Laleh Bijani to the Extraordinary Weight Series, it offers poignant, emotive and fascinating programmes connecting viewers with remarkable everyday people.

Sky News continued its record of innovative, comprehensive, accurate and up-to-the-minute news coverage, whether it was the drama of the US Presidential primaries or the debate over knife crime on our streets. Our commitment to quality was recognised when the Royal Television Society named Sky News as the News Channel of the Year for the sixth time in seven years. And it was underlined when our Asia correspondent, Alex Crawford, walked away with the accolade of TV Journalist of the Year.

With dedicated channels for every type of movie, **Sky Movies** makes it easy for customers to find what they want to watch from a choice of more than 800 different titles every month. Every week brings five new premieres, including most of the biggest movies before any other TV channel, and three HD channels bring customers closer to the action. But it's not just Hollywood blockbusters we offer; we show timeless classics and the best independent films from around the world. And through Sky+, Sky Anytime TV and Sky Player, customers choose when and how to watch them.

Believe in better

By helping you take control

7,000

Hours of HD programmes every month

1.3m

New Sky+ customers in the last year

Flexibility and convenience

We want our customers to enjoy the best possible viewing experience. So we make TV fit in with their lives by giving them the flexibility and convenience of when, where and how to watch.

Sky+ goes from strength to strength, attracting 1.3 million new customers last year – more than any year since its launch in 2001. The reason for its success is the simple way Sky+ helps people to get more out of their TV viewing. A whole series can be recorded at the press of a button. Two programmes can be recorded at the same time while you watch a third that has already been recorded. And with our remote record feature, you can even use your mobile phone or PC to programme a Sky+ recording from anywhere in the world.

Because customers love Sky+, they tell their family and friends how it transforms the TV experience. The power of customer advocacy is reflected in our latest Sky+ advertising campaign, which features celebrities such as Kelly Brook, Sir Michael Parkinson and Ross Kemp talking about the difference Sky+ has made to their lives.

High Definition is the biggest improvement in television picture quality since colour replaced black and white, and Sky is leading the way. **Sky+ HD** takes the viewing experience to another level, bringing cinema-like sound and vision into the home.

With over 7,000 hours of HD sport, movies and entertainment every month, we show ten times as many hours in HD as our nearest competitor. And with five new HD channels joining in the last year, we are adding more hours all the time. Our leadership in HD has been recognised by the Royal Television Society, which awarded Sky+ HD its Raising The Bar Award for 2007 and praised Sky for its "ambition, momentum and exceptional execution skills".

Because we want everyone in the family to be able to enjoy their favourite programmes, we developed **Sky Multiroom**. Over 1.5 million households have seized the opportunity it offers to watch different channels in different rooms at the same time.

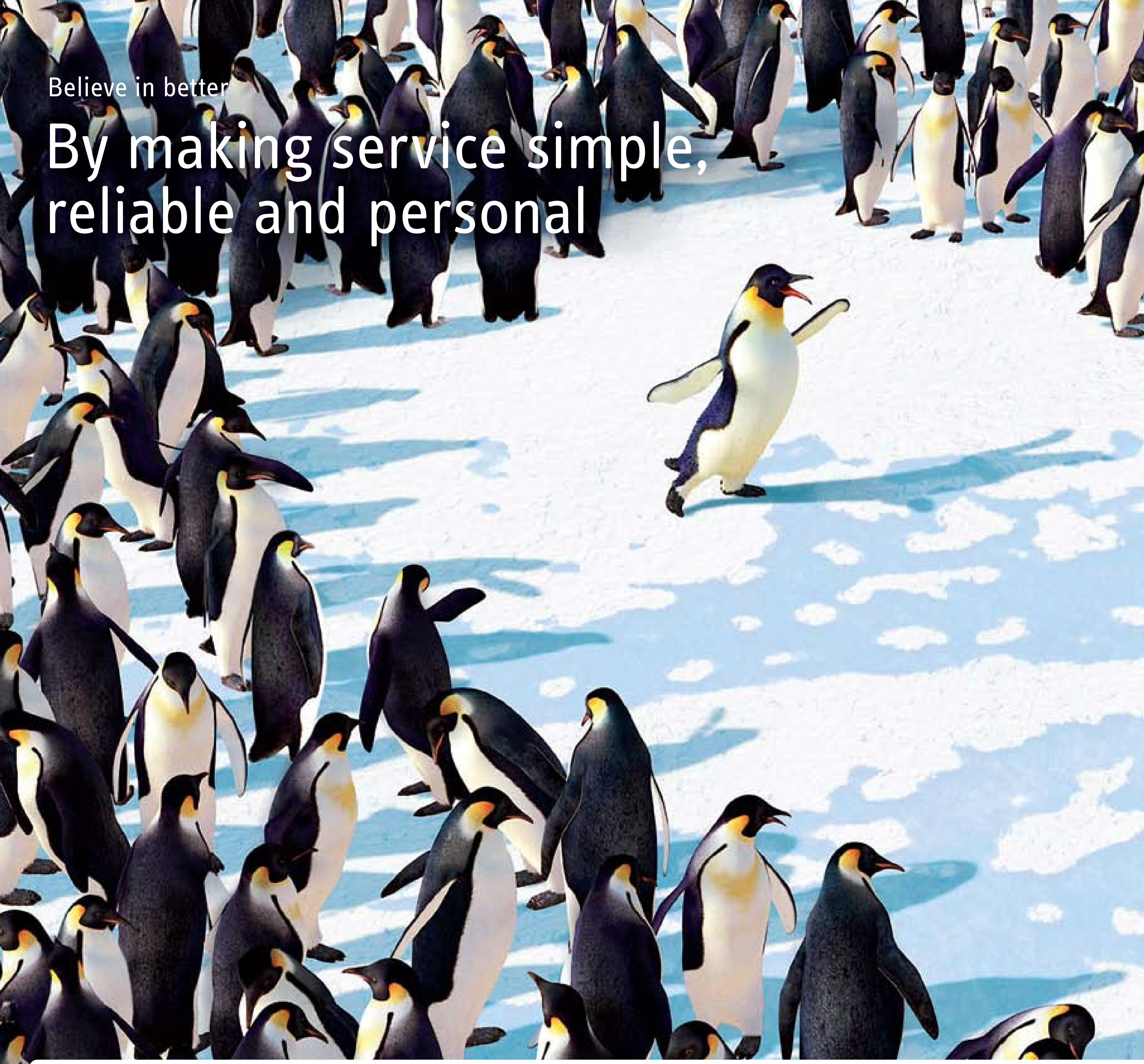
We continue to innovate to put customers in control. **Sky Anytime TV** is the latest enhancement to the Sky experience, using the storage capacity in Sky+ and Sky+ HD boxes to let customers watch a selection of programmes on-demand, at the touch of a button. It automatically records the best of each week's movies, entertainment shows and documentaries so families can watch them whenever they want.

And our **Sky Player** service allows customers to enjoy a broad range of content on their home computers. On-demand access to top entertainment shows, hundreds of movies, the latest news and the best of sporting action means it is easy and simple to find the great programmes on offer.

We even make sure that customers can keep in touch with sports, news and the latest entertainment while they are on the move. Over 20 channels including live sports action can be accessed through **Sky Mobile TV**, while Sky Anytime on Mobile allows customers to access the latest news and sports headlines wherever they are.

Believe in better

By making service simple, reliable and personal

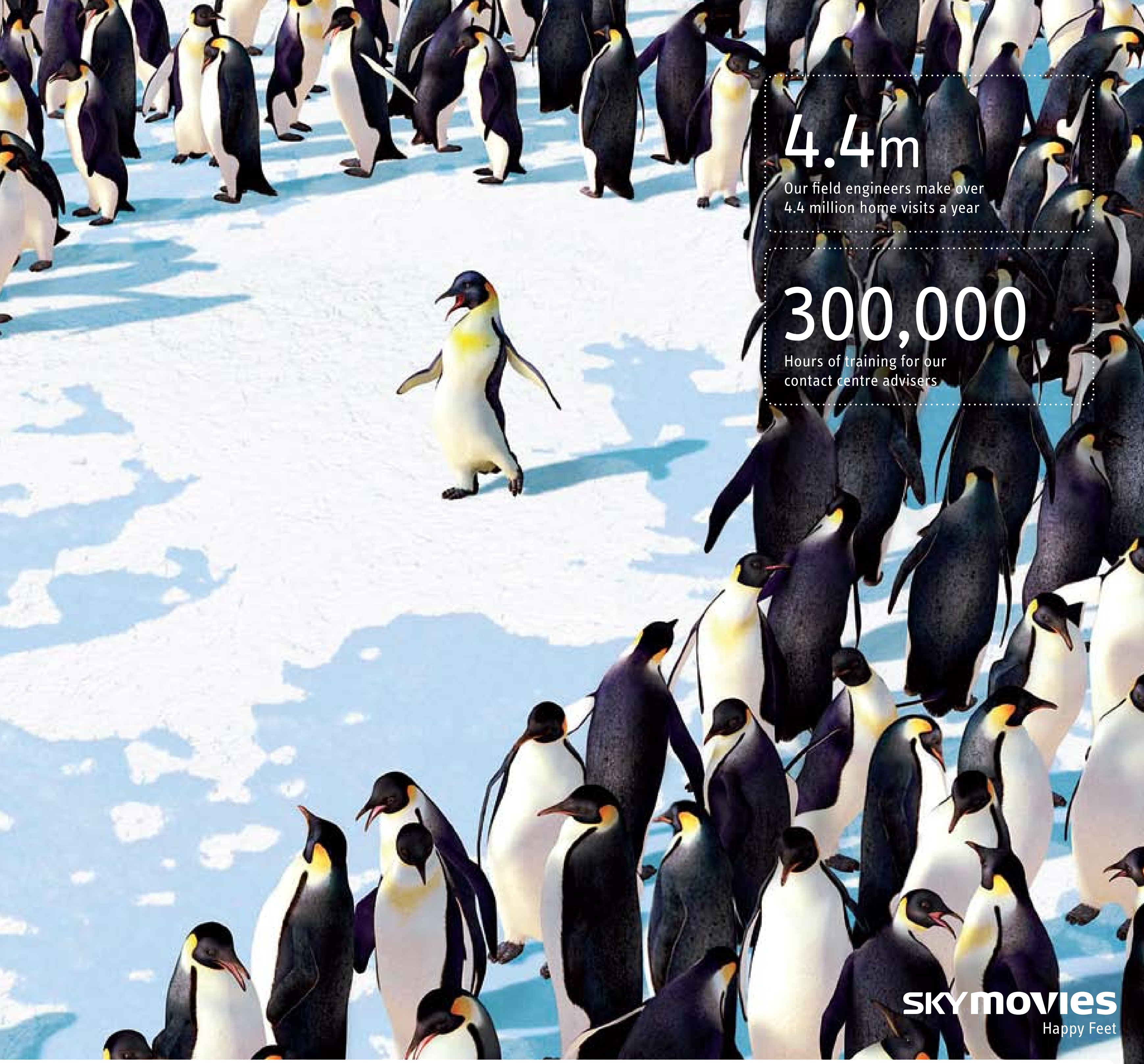


Leading customer service

High quality customer service is a foundation for success. Everyone at Sky is committed to putting the customer first and delivering simply great service.

Service has never been an extra for Sky. From the very beginning, it has been central to who we are and what we do. That's why we've been investing in our systems and people since the start. We understand that the closer we get to our customers, the better we can meet their needs and the more satisfied they are.

We want to make it easy for our customers to deal with us. At every stage – from the initial call to our contact centre, the home visit from our engineers or our online billing service – we strive to make our service simple, reliable and personal.



We hope this seems easy, but it's the result of huge effort. For example, with more to offer than ever, we now sell twice as many products as two years ago, but we're answering calls even more quickly, thanks to a programme to enhance the effectiveness of our contact centres and the introduction of new call-routing technology.

We know how important it is to our customers that our staff are knowledgeable and responsive. In the last year alone, we have invested in over 300,000 hours of training for our contact centre advisers. We want to make sure they can answer a wide range of questions about our expanding product range and have open and tailored conversations that fit the needs and expectations of each individual customer – even anticipating how they can help customers without being asked. We've made it easier, too, for customers to do more for themselves – to find out information or check their bills online or by using the red button on their remote control.

Our contact centres help co-ordinate Sky's 3,800 field engineers who make over four million home visits a year installing, upgrading and repairing equipment. If something goes wrong, we aim to fix it fast and without fuss.

Because we know our customers lead busy lives, we now offer a choice of morning and afternoon slots for visits and we keep them informed of an estimated arrival time. We even have a special Home Move team so, in all the stress of moving house, our customers at least have confidence that Sky will move seamlessly with them.

All this effort is worth it. We score highly on customer satisfaction and have loyalty levels which are the envy of our competitors. But we are never satisfied. We don't want to offer the best level of service in our industry. We want to offer the best service, full stop. And we will keep working to deliver this.

Believe in better

By seeing the bigger picture

The Bigger Picture

At Sky, we believe a successful business is a responsible business. For us, that means seeing the bigger picture and making a difference in three key areas: helping to create a healthy environment; opening up the arts to more people; and encouraging participation in sport.

There is no bigger challenge than climate change and we're determined to play our part in promoting positive action to meet it. That's why we've reduced our CO_2 emissions by 27% in the last three years and why we source 100% renewable energy to power all of the sites that we own in the UK. For emissions we don't have answers for yet, we've invested in high quality, verified offsets. It's through this approach that we became the world's first carbon neutral media company in 2006.

But we can go further by joining forces with our customers and our people. We've downloaded our energy-saving 'auto standby' feature to over four million set top boxes which, just by putting boxes to sleep overnight, has saved our customers £12 million on their electricity bills and 52,000 tonnes of CO_2 in its first year alone.

27%

Reduction in our CO_2 emissions in the last three years

5,000

We have helped to train more than 5,000 new cricket coaches

Concrete Canvas featuring street artist Julian Beever

We also want to inspire and help people to make changes themselves, from green offers in our customer magazine, to green programming on screen and advice on our website. For staff, we offer The Bigger Picture card, where they can earn points for 'green' actions, cashback on hybrid vehicles and discounted loans for bicycles. But we want to do more and, in January 2008, we announced a partnership with Global Action Plan, the environmental charity, to work together to inspire more action over the next three years.

We want more people to enjoy the arts in more ways. We do that first through Sky Arts, which shows 18 hours of arts-related programming, from Mozart and Madam Butterfly to Hendrix and hip hop, seven days a week. We also reach out beyond the screen onto the stage by supporting leading arts organisations and events across the UK, including English National Opera, English National Ballet, the Hay Festival and the National Trust.

Our work with ENO this year has included support of their critically acclaimed Sky Arts season, and the launch of Sky Seats extra, which offers reduced prices on 14,000 seats a year. We are also broadcast sponsor of the Hay Festival, the UK's pre-eminent literary festival, which we bring into customers' living rooms through Mariella Frostrup's daily show, Hay on Sky.

Sky is known for its coverage of some of the biggest events in sport, but our involvement goes much further than broadcasting. Our investment in sports rights helps to fund sport at the grass roots and encourage participation at all levels. Through our partnership with the England and Wales Cricket Board (ECB), we have helped to train more than 5,000 new cricket coaches and we intend to increase that number further to give more children the chance to play the game.

Through Sky Sports Living for Sport, in partnership with the Youth Sport Trust, we have reached more than 17,000 pupils with a programme designed to re-engage 11 to 16-year-olds in school life. More than 200 new schools have joined the programme in the past 12 months and the results show that it has improved attendance and improved behaviour.

Our new five-year partnership with British Cycling will provide increased support for the sport in the run-up to the 2012 Olympic Games in London, and beyond. As well as helping Britain's elite to achieve even more success, we want to help develop the next generation of talent and get more people involved in cycling for sport and leisure at all levels.

Believe in better

By making talent shine

15,000
Sky employees

500
Our Sky Choices scheme has helped more than 500 Sky people to purchase bikes

Sky people

Meeting our ambitions for our customers and for our business rests on the people at Sky. So we employ the best and make sure they can give their best.

We believe that the capability that exists within our organisation is critical to our success. More than ever before, the key to performance is having the people who can make things happen. And that's the culture we foster at Sky.

We put huge effort into attracting the most talented and determined people to work with us so they can help us to continue growing and improving. We employ the best and create the culture where they can give their best, encouraging them to innovate and collaborate for the benefit of Sky customers and our business.

Alex Crawford, Asia Correspondent
Royal Television Society Journalist of the Year 2008

Sky now has a workforce of over 15,000. We are one of the biggest private sector employers in Scotland with 6,000 people in our three contact centres which operate around the clock every day of the year.

Our award-winning modern apprenticeship scheme has offered first-class training both on and off the job to over 100 young people since 2005. And competition is equally intense for our graduate training scheme with over 50 of the country's brightest students joining us every year.

But it is not just new recruits who benefit from high quality, personalised training. We invest in nearly 80,000 training days each year. Our HDTV technical training programme, for example, has attracted national attention. There are tailor-made training opportunities across the board to keep knowledge and skills up to date and to help our staff reach their full potential.

We are constantly looking for future leaders among our people and we make sure we give them the right support and training to develop. We try to involve everyone in improving what we do, encouraging and rewarding people for their ideas. No one knows our business and our customers better than our own staff so we make sure we listen.

Having attracted the best, we make sure we look after them. Hard work and talent is properly rewarded along with a pension plan, life cover and free Sky+, Sky Talk and Sky Broadband. We work hard as well to keep our staff fit and safe with free health assessments and incentives to cycle to work – helping to keep our people and our planet healthy. And hundreds of our staff take advantage of our Make A Difference initiative to take paid leave to do valuable work in the community.

Review of the year

Andrew Griffith
Chief Financial Officer

Our strategy is progressing well. In a tough consumer environment, we have grown our customer base in line with our targets, customers are taking more products from us and they are staying with us for longer. The results for the year demonstrate the strength of our business, with 11% growth in retail subscription revenue and a good level of operating profit.

Overview

Annual net additions in the year of 398,000 take our total customers to almost nine million. Alongside this overall growth, our actions over the last two years to improve the long-term quality and profitability of our customer base have led to a substantial improvement in loyalty. As a result, churn for the year fell by over two percentage points year-on-year to 10.4%, its lowest level since 2005.

Demand for our products was strong, with total product sales of over five million during the year, an increase of 26% on the prior year. ARPU reached a new high of £427 and continues to benefit from take up of new products such as Sky+ HD and Sky Broadband. Over half of our customers now take more than one product from us compared to less than 40% a year ago. Already 11% of customers take each of television, broadband and telephony. This represents good progress to date, but leaves headroom for further growth going forward.

The expansion of our product range over the last couple of years has been a key driver of demand, adding flexibility and efficiency to our marketing. During the year, we chose to invest strongly in the growth of Sky+, which achieved record total net additions of 1.3 million for the year, an increase of 63% on the prior year. Importantly, Sky+ is contributing to improved loyalty among existing customers and also helping to attract new customers to Sky, with around half of new customers joining us during the year taking Sky+. We continue to be the fastest growing broadband and home phone provider in the UK, adding over 900,000 Sky Broadband customers and over 700,000 Sky Talk customers during the year.

Growth in customer numbers and in ARPU combined to drive strong annual revenue growth of 9% to reach almost £5 billion. Adjusted operating profit for the year was £752 million, £14 million lower than the prior year. This reflects our continued investment in broadband and telephony, the loss of related fees and advertising revenue from the non-carriage of our basic channels on cable, and the additional cost of the new FA Premier League contract.

During the year, we recorded a £616 million non-cash accounting impairment charge for ITV. This effectively marks our stake to market at the closing share price on 27 June 2008, the last day of the financial period.

In February 2008, we applied to the Competition Appeal Tribunal for a review of key conclusions of the Competition Commission's report on our investment in ITV plc and the Secretary of State's consequent decision that we should dispose of the majority of our 17.9% shareholding in ITV plc. The Competition Appeal Tribunal heard our application in June 2008. As at 30 July 2008, we await the outcome of the review.

Adjusted earnings per share were 25.1 pence and after accounting for exceptional items, the loss per share was 7.3 pence. The full year dividend was 16.75 pence, an increase of 8% on the prior year.

£427
ARPU

10.4%
Churn for the year

Operational review

In the 12 months to 30 June 2008 net customer additions were 398,000, bringing our total customer base to 8.98 million.

We have continued to focus on customer quality. Over the last two years we have taken a number of steps to strengthen the business, including a reduction in the use of viewing package discounts, the re-introduction of an installation charge across all TV products and the tightening of debt management policies. Whilst these actions may affect the rate of new customer acquisition, this impact is outweighed by significant benefits to customer loyalty. We are particularly pleased, therefore, that churn for the year fell to 10.4%, compared to 12.4% in the prior year. Customer loyalty is also benefiting from growing penetration of additional products within our customer base.

Gross product sales for the year exceeded 5.4 million as our product range continued to appeal to both new and existing customers. During the year, 42% of Sky+ additions, 21% of Sky+ HD additions and 43% of Sky Broadband additions were new to Sky. ARPU continues to benefit from the growth in new product penetration and increased by £15 year-on-year to £427.

Sky+ had another record year, with penetration increasing by 1.3 million to reach 3.7 million households or 41% of our customer base. Sky+ was supported by a marketing campaign during the year that used the power of advocacy to broaden the appeal of Sky and to communicate benefits of the product. The campaign was the first of its kind from Sky and has seen high levels of recognition from audiences of all ages.

Penetration of Sky Multiroom and Sky+ HD continued to grow. Multiroom households increased by 261,000 to 1.6 million, or 18% of the base. Sky+ HD households increased by 206,000 to 498,000 customers or 6% of the base. As high definition becomes increasingly established as the new benchmark for video services, we expect the superior range and quality of content offered by Sky+ HD to be a key driver of demand from new and existing customers.

We continue to make good progress in broadband, adding a further 912,000 Sky Broadband customers in the year. This means that in just under two years we have grown our broadband business from a standing start to reach over 1.6 million customers. As at 30 June 2008, 89% of broadband customers were on our network and, of these, around two thirds opted for a paid-for package. Sky Talk customers increased by 715,000 during the year to reach over 1.2 million.

US Open
Sky Sports

Gladiators
Sky One

Financial summary

The financial performance for the year reflected consistent strength in operating metrics, with double-digit retail subscription revenue growth and a good level of operating profit.

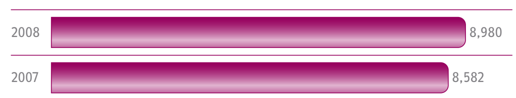
Total revenue increased by 9% on the prior year to £4,952 million (2007: £4,551 million), with operating profit of £724 million (2007: £815 million). Excluding exceptional costs of £28 million (2007: £49 million gain), adjusted operating profit was £14 million lower than the prior year at £752 million (2007: £766 million), reflecting the impact of the new FA Premier League contract, the non-carriage of our basic channels on cable and the second full year of investment in broadband and telephony. Group operating margin was 14.6% or 15.2% when adjusted for exceptional costs. Excluding £184 million of investment in Sky Broadband, Sky Talk and Easynet, and £28 million of exceptional operating costs, Pay TV operating margin was 20.7%.

In April 2008, we conducted a review of overheads to reduce costs in non-customer-facing and non-programming activities. In addition to discretionary expenditure on consultancy, travel and subsistence, we will be making some headcount reductions. These will be achieved through a combination of closing vacant posts and making a number of redundancies for which we have taken a £7 million restructuring charge.

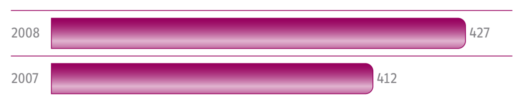
1.6m
Sky Broadband customers

1.2m
Sky Talk customers

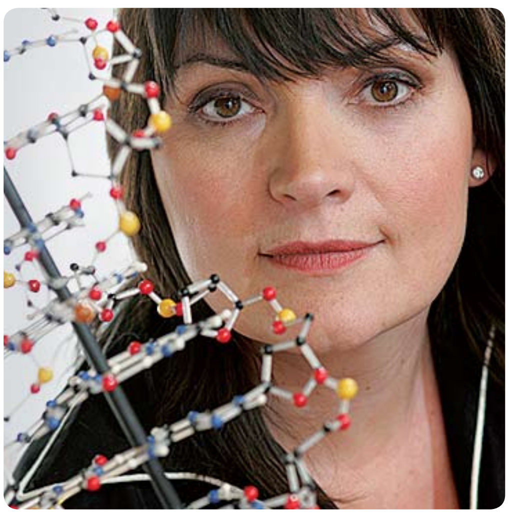
DTH customers (000s)



ARPU (£)



Bringing Balanchine Back
Sky Arts



Lorraine Kelly's DNA Stories
Sky Real Lives

Revenue

Revenue increased by 9% on the prior year to £4,952 million (2007: £4,551 million) with strong growth in product sales, our subscription business and Easynet, partially offset by declines in advertising and wholesale. Revenue included £249 million related to Sky Broadband and Sky Talk and £178 million from Easynet.

Retail subscription revenue increased by 11% on the prior year to £3,769 million (2007: £3,406 million), reflecting 5% growth in the number of DTH customers and growth in average retail revenue per customer of 6%.

Wholesale subscription and advertising revenue for the year were impacted by the non-carriage of our basic channels on cable, with wholesale revenues falling by 13% to £181 million (2007: £208 million) and advertising revenue decreasing by 7% to £328 million (2007: £352 million). Visibility for the TV advertising sector remains low, but our current expectation is for an overall decline in the second half of calendar 2008.

Sky Bet revenue decreased by 6% on the prior year to £44 million (2007: £47 million). A fall in underlying revenue offset the benefit of the first full year of consolidation of 365 Media Group plc (acquired in January 2007) and reflected the continued shift from interactive TV betting to the internet.

Installation, hardware and service revenue increased by 30% on the prior year to £276 million (2007: £212 million). This reflects the 26% year-on-year increase in product sales, particularly Sky+, in addition to the re-introduction of a minimum installation fee of £30 for all TV products.

Other revenue of £354 million (2007: £326 million) increased by 9% year-on-year. The majority of the increase was driven by Easynet, which increased its revenues from corporate clients by 12% to £174 million, online portal revenues, and legacy revenues from the first time consolidation of Amstrad.

Gross margin

Programming costs of £1,713 million increased by £109 million year-on-year (2007: £1,604 million) reflecting our continued investment on-screen. Excluding the exceptional credit in the prior year[1], gross profit increased 10% to £3,239 million (2007: £2,947 million), generating a gross margin of 65%, in line with the prior year.

Sports costs rose by £87 million year-on-year to £929 million (2007: £842 million), driven by the start of the new FA Premier League contract. Amortisation of FA Premier League rights costs is fixed over the remaining two years of the three year contract.

Movie costs of £281 million decreased by £4 million on the prior year (2007: £285 million) reflecting the foreign exchange benefit relating to US dollar purchases.

News and Entertainment costs increased by £21 million year-on-year to £205 million (2007: £184 million). This reflects the continued investment in must-see programming on Sky One, with a particular focus on high-quality commissioned programmes.

Third party channel costs, adjusted for the one-off receipt of £65 million in the prior year, increased by £5 million to £298 million (2007: £293 million). Payments to Setanta for including its FA Premier League games in commercial subscriptions together with an overall higher level of DTH subscribers were partially offset by savings achieved through renegotiation of third party carriage agreements.

[1] Programming costs in 2007 excluded the exceptional credit of £65 million from a third party channel provider.

Other operating costs

Other operating costs of £2,515 million (2007: £2,197 million) increased by £318 million on the prior year with a significant slowdown in the rate of growth in the second half of the financial year. This included Sky Broadband and Sky Talk operating costs of £401 million (2007: £243 million), Easynet costs of £200 million (2007: £182 million), exceptional legal fees of £21 million (2007: £16 million) and an exceptional restructuring cost of £7 million. Excluding these items other operating costs increased by £130 million to £1,886 million (2007: £1,756 million), reflecting costs associated with strong product sales (which have related install, hardware and service revenue), an increase in other legal fees and higher depreciation costs.

Depreciation and amortisation of £246 million increased by £54 million on the prior year (2007: £192 million). Around half of this increase was related to the investment in broadband and telephony, with the remainder due to continued investment in TV infrastructure and customer management systems.

Despite a 26% increase year-on-year in product volumes, marketing costs increased by just 1% to £743 million, representing 15% of sales (2007: 16%). Above-the-line advertising expenditure of £96 million was in line with the prior year. Increased magazine production spend and the higher costs associated with strong product sales were almost all offset by supply chain savings achieved through our acquisition of Amstrad and higher contribution from customers towards installation costs.

Subscriber management costs increased by £82 million on the prior year to £700 million, with around half of the increase driven by our growing broadband and telephony customer base. The remaining increase reflected strong growth in product volumes to both new and existing customers. Included within this, subscriber handling costs, excluding broadband and Easynet, have remained broadly flat year-on-year, with improved efficiencies offsetting the additional cost of servicing a larger, multi-product customer base.

The acquisition cost per subscriber (SAC) increased by £2 year-on-year to £253. A higher weighting of more expensive hardware (due to strong Sky+ sales) was partially offset by the reintroduction of a standard installation charge and supply chain savings delivered through our acquisition of Amstrad.

Transmission costs of £542 million (2007: £402 million) increased by £140 million on the prior year, due to the inclusion of an additional £124 million of broadband and telephony costs and a further £13 million of Easynet costs.

Administration costs increased by £87 million to £530 million (2007: £443 million), and include £28 million of exceptional costs (2007: £16 million). Higher depreciation charges following our investment in infrastructure and systems, increased legal and regulatory related fees, a full year of 365 Media costs and the first-time consolidation of Amstrad, all contributed to the year-on-year increase. Administration costs relating to Sky Broadband and Sky Talk were £36 million (2007: £22 million) and Easynet costs were £51 million (2007: £45 million).

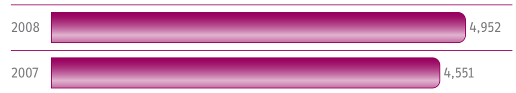
Exceptional items

In accordance with IAS 39, following a review of the carrying value of the Group's investment in ITV plc at 31 December 2007, we recognised a cumulative impairment loss of £616 million in the period. This was determined with reference to ITV's closing equity share price of 47.5 pence on 27 June 2008 (the last trading day of the Group's reporting period).

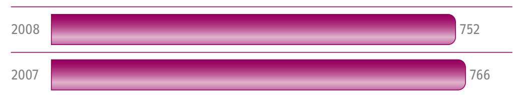
As disclosed on 6 February 2008, Sky disposed of its 50% share in the National Geographic Partnership UK for 21% interests in National Geographic Channel (NGC) Network International LLC and NGC Network Latin America LLC, which resulted in a profit on disposal of £67 million.

An exceptional charge of £28 million was reported within administration expenses (2007: £16 million) of which £21 million relates to the legal costs of pursuing the Group's claim against EDS, which provided services relating to past investment in CRM systems, software and infrastructure. The remaining £7 million relates to restructuring costs following a review of overhead expenditure.

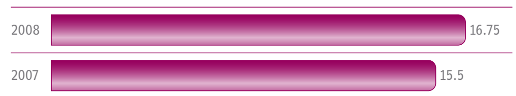
Group revenue (£m)



Adjusted group operating profit (£m)*



Dividend per share (pence)



* Excludes exceptional operating cost of £28 million in 2008 (2007: net exceptional operating income £49 million).

11%

Growth in retail subscription revenue

£1.7bn

Annual investment in programming

Earnings

After our share of operating profits from joint ventures of £15 million (2007: £12 million), the gain on disposal of a joint venture of £67 million, a net interest charge of £130 million (2007: £103 million) and the ITV impairment charge, profit before tax for the period was £60 million (2007: £724 million).

Including a tax charge of £187 million, at an effective tax rate of 30.7%[2] (2007: 31.1%), the Group's loss after tax for the period was £127 million (2007: £499 million profit), generating a basic loss per share of 7.3 pence (2007: earnings of 28.4 pence).

Excluding all exceptional items and related tax adjustments, profit after tax for the period was £439 million (2007: £461 million), generating adjusted earnings per share of 25.1 pence (2007: 26.3 pence).

The issued share capital at the start and end of the period was 1,753 million shares of 50 pence. Over the entire year the weighted average number of shares excluding those held by the Employee Share Ownership Plan for the satisfaction of employee share awards was 1,748 million.

Cash flow

The financial position of the Group is strong, with £997 million (2007: £1,007) of operating cash flow generated in the year.

The Group generated EBITDA of £970 million (2007: £1,007 million). Excluding EBITDA from Sky Broadband, Easynet and exceptional costs, EBITDA increased by £2 million to £1,113 million (2007: £1,111 million). Cash generated from operations of £997 million (2007: £1,007 million) included a working capital outflow of £9 million (2007: outflow of £33 million).

Following net interest payments of £122 million, tax payments of £163 million, capital expenditure of £339 million and a £5 million net receipt from joint ventures, free cash flow was £378 million. After net acquisition spend of £75 million mainly related to the Group's acquisition of Amstrad plc, and dividends paid to shareholders of £280 million, closing net debt was £1,843 million (2007: £1,838 million) including cash and cash equivalents on the balance sheet of £632 million.

Total capital expenditure of £339 million for the year was £17 million lower than the prior year, and included £78 million related to the network investment and unbundling of exchanges resulting from the roll out of Sky Broadband.

In November 2007, we began construction work on a building to house studios, production and technical facilities as well as office space on our campus in Osterley, Middlesex. This will consolidate and replace a number of existing properties which are reaching the end of their operational lives. Given the current conditions in the credit markets and the relative strength of our cash flow, the project will be financed internally for the time being although our intention is to sell and leaseback the property and its freehold when market conditions improve. During the period to 30 June 2008, total expenditure on this project was £34 million, out of a total estimated construction cost of around £156 million. We currently expect to spend around an additional £77 million on the technical fit out which will allow us to benefit from efficiencies by moving to a wholly digital production environment. The facility is due to enter service in 2011.

£997m
Operating cash flow

£1.8bn
Net debt

Reconciliation from (loss) profit for the year to adjusted profit for the year

	2008 £m	2007 £m
Loss (profit) for the year	(127)	499
Remeasurement of all derivative financial instruments (not qualifying for hedge accounting)	(3)	(6)
Costs relating to restructuring exercise	7	–
Amount receivable from channel distribution agreement	–	(65)
Legal costs relating to claim against EDS	21	16
Profit on disposal of joint venture	(67)	–
Impairment of available-for-sale investment	616	–
Tax effect of above items	(8)	17
Adjusted profit for the year	**439**	**461**

[2] Calculated on adjusted profit – impairment of ITV is not tax deductible and profit on disposal is not taxable.

Balance sheet

Goodwill increased by £111 million to £852 million at 30 June 2008, primarily due to the completion of the Amstrad acquisition during the year.

Property, plant and equipment and intangible assets increased by £94 million to £1,025 million at 30 June 2008, due to £333 million of additions in the year, partly offset by depreciation and amortisation of £246 million.

Available-for-sale investments decreased by £459 million to £338 million at 30 June 2008, primarily due to the effect of the decrease in the equity share price of ITV. The cumulative unrealised losses recorded in the current and prior year by the Group in the available-for-sale reserve were transferred to the Group's income statement in the current year.

Investments in joint ventures and associates increased by £80 million to £114 million at 30 June 2008, primarily due to the sale of the Group's 100% stake in BSkyB Nature Limited. As consideration for the disposal, the Group received 21% interests in both NGC Network International LLC and NGC Network Latin America LLC.

Current assets increased by £335 million to £1,698 million at 30 June 2008, primarily as a result of increased cash and short-term deposits arising from the issuance of US$750 million Guaranteed Notes in February 2008.

Current liabilities increased by £394 million to £1,893 million at 30 June 2008, predominantly due to a £322 million increase in current borrowings. Current borrowings increased following the reclassification of £301 million from non-current borrowings in respect of US$600 million Guaranteed Notes (repayable February 2009) and the issuance of £37 million of Loan Notes in relation to the purchase of Amstrad. This increase was partially offset by the repayment of £16 million of Loan Notes issued in relation to the purchase of 365 Media.

Non-current liabilities decreased by £17 million to £2,357 million at 30 June 2008, primarily due to the reclassification of US$600 million Guaranteed Notes to current payables and mark to market movement on the derivative instruments used for hedging certain programming payments and borrowings, partially offset by the issuance of US$750 million Guaranteed Notes in February 2008.

Distributions to shareholders

The Directors are proposing a final dividend for 2008 of 9.625 pence per share, which, combined with the interim dividend of 7.125 pence per ordinary share, will result in total dividend growth of 8% on the prior year. This represents a payout ratio of approximately 48% of earnings when adjusted for both exceptional items and excluding the losses associated with the Sky Broadband, Sky Talk and Easynet activities.

The ex-dividend date will be 22 October 2008 and, subject to shareholder approval at the Annual General Meeting to be held on 26 September 2008, the final dividend will be paid on 14 November 2008 to shareholders appearing on the register at the close of business on 24 October 2008.

An Inconvenient Truth
Sky Movies

Super Sunday
Sky Sports

Board of Directors

Chase Carey (age 54)
Non-Executive Director

Chase Carey was appointed as a Director of the Company on 13 February 2003. Mr Carey is President and Chief Executive Officer (CEO) of The DIRECTV Group, Inc. (DIRECTV). Mr Carey was a Non-Executive Director of News Corporation from 2002 until December 2007 and was an Executive Director from 1996 until 2002. Mr Carey previously served as Co-Chief Operating Officer (COO) of News Corporation and as a Director and COO of Fox Entertainment Group (FEG). Mr Carey has also held the positions of Chairman and CEO of Fox Television, Director of Star Group Limited (Star), Director of NDS Group plc (NDS) and Director of Gemstar-TV Guide International, Inc.

Jeremy Darroch (age 46)
Executive Director and Chief Executive Officer (CEO)

Jeremy Darroch was appointed as Chief Financial Officer (CFO) and a Director of the Company on 16 August 2004. On 7 December 2007, Mr Darroch was appointed CEO of the Company and relinquished the role of CFO. Mr Darroch joined DSG International plc (DSG), formerly Dixons Group plc, in January 2000 as Retail Finance Director, rising to the position of Group Finance Director in February 2002. Prior to DSG, Mr Darroch spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe, latterly as European Finance Director for its Health Care businesses. Mr Darroch is a Non-Executive Director and the Chairman of the Audit Committee of Marks & Spencer Group plc.

David F. DeVoe (age 61)
Non-Executive Director

David F. DeVoe was appointed as a Director of the Company on 15 December 1994. Mr DeVoe has been a Director of News Corporation and its CFO since October 1990. Mr DeVoe has served as Senior Executive Vice President of News Corporation since January 1996. Mr DeVoe has been a Director of NDS since October 1996.

David Evans (age 68)
Independent Non-Executive Director ⦿

David Evans was appointed as a Director of the Company on 21 September 2001. Since October 2007, Mr Evans has been Chairman of Tucker Box Entertainment Pty Limited, a television and feature film production company. Mr Evans was previously President and CEO of Crown Media Holdings, Inc. and its predecessor company, Hallmark Entertainment Networks, from 1 March 1999. Prior to that, Mr Evans was President and CEO of Tele-Communications International, Inc. (TINTA) from January 1998. Mr Evans joined TINTA in September 1997 as its President and COO, overseeing the day-to-day operations of the company. Prior to joining TINTA, from July 1996, Mr Evans was Executive Vice President of News Corporation, President and CEO of Sky Entertainment Services Latin America, LLC, and President and COO of The Fox Television Network.

Nicholas Ferguson (age 59)
Senior Independent Non-Executive Director ⦿○

Nicholas Ferguson was appointed as a Director of the Company on 15 June 2004 and Senior Independent Non-Executive Director on 12 June 2007. Mr Ferguson is Chairman of SVG Capital plc, a publicly-quoted private equity group, and was formerly Chairman of Schroder Ventures. He is also Chairman of the Courtauld Institute of Art and the Institute of Philanthropy.

Andrew Griffith (age 37)
Executive Director and Chief Financial Officer (CFO)

Andrew Griffith was appointed as CFO and a Director of the Company on 7 April 2008. Mr Griffith joined Sky in October 1999 and has held a number of finance roles, most recently Director of Group Finance, M&A and Investor Relations. Mr Griffith previously worked at the investment bank Rothschild, where he advised a range of clients in the technology, media and telecommunications sectors. He qualified as a Chartered Accountant with Coopers & Lybrand Deloitte and holds a degree in Law from Nottingham University. Mr Griffith is a member of the 100 Group of Finance Directors.

Andrew Higginson (age 51)
Independent Non-Executive Director ●

Andrew Higginson was appointed as a Director of the Company on 1 September 2004. Mr Higginson is Finance and Strategy Director of Tesco plc (Tesco). Mr Higginson was appointed to the Board of Tesco in 1997, having previously been the Group Finance Director of the Burton Group plc. Mr Higginson is a member of the 100 Group of Finance Directors and Chairman of Tesco Personal Finance.

Allan Leighton (age 55)
Independent Non-Executive Director ●

Allan Leighton was appointed as a Director of the Company on 15 October 1999. Mr Leighton joined ASDA Stores Limited as Group Marketing Director in March 1992 and was appointed CEO in September 1996. In November 1999 he was appointed President and CEO of Wal-Mart Europe. Mr Leighton resigned from all of these positions in September 2000. Mr Leighton is currently Chairman of The Royal Mail Group and Deputy Chairman of Selfridges & Co, George Weston Ltd and Loblaws Ltd. Until January 2008, Mr Leighton was Chairman of Bhs Ltd.

James Murdoch (age 35)
Non-Executive Director and Chairman

James Murdoch was appointed as a Director of the Company on 13 February 2003 and as CEO with effect from 4 November 2003. On 7 December 2007, he was appointed Non-Executive Chairman of the Company having relinquished the role of CEO. Mr Murdoch is Chairman and CEO, Europe and Asia, at News Corporation and is a member of News Corporation's Board of Directors and Executive Committee. Between May 2000 and November 2003, he was Chairman and CEO of Star. Mr Murdoch serves on the Board of YankeeNets and the Board of Trustees of the Harvard Lampoon. Mr Murdoch attended Harvard University.

- ● Audit Committee
- ⦿ Remuneration Committee
- ○ Corporate Governance & Nominations Committee

Jacques Nasser (age 60)
Independent Non-Executive Director ⦿

Jacques Nasser was appointed as a Director of the Company on 8 November 2002. Mr Nasser served as a member of the Board of Directors, and as President and CEO of Ford Motor Company from 1998 to 2001. Mr Nasser is currently a Partner of One Equity Partners and serves on the Board of BHP Billiton and the International Advisory Board of Allianz A.G. Until January 2008, Mr Nasser served on the Board of Brambles Limited and Quintiles Transnational Corporation. Mr Nasser has received an honorary Doctorate of Technology and graduated in Business from the RMIT University of Melbourne, Australia. Because of Mr Nasser's significant contributions to the wellbeing of humanity and to the country of Lebanon, he has received the Order of the Cedar. In recognition of Mr Nasser's work for Australian industry, as an adviser to government, and for education in the area of technology, he has been awarded an Order of Australia and a Centenary Medal.

Gail Rebuck (age 56)
Independent Non-Executive Director ●

Gail Rebuck was appointed as a Director of the Company on 8 November 2002. Ms Rebuck is Chairman and CEO of The Random House Group Limited (Random House), one of the UK's leading trade publishing companies. In 1982, Ms Rebuck became a founder Director of Century Publishing (Century). Century merged with Hutchinson in 1985 and in 1989 Century Hutchinson was acquired by Random House Inc. In 1991, Ms Rebuck was appointed Chairman and CEO of Random House. Ms Rebuck was a Trustee of the Institute for Public Policy Research from 1993 to 2003, a Trustee of the Work Foundation from 2001 to 2008, and was for three years a member of the Government's Creative Industries Task Force. Ms Rebuck is a member of the Court of the University of Sussex, a Trustee of the National Literacy Trust, and sits on the Council of the Royal College of Art. Ms Rebuck was awarded a CBE in the 2000 New Year's Honours List.

Daniel Rimer (age 37)
Independent Non-Executive Director

Daniel Rimer was appointed as a Director of the Company on 7 April 2008. Mr Rimer is a General Partner of the venture capital firm Index Ventures Management Limited (Index Ventures) and established the firm's London office. He currently serves on a number of boards including Joost N.V., Oanda Corporation, Spot Runner Inc., FON Wireless Limited, Stardoll Inc. and Viagogo Limited. Prior to joining Index Ventures, Mr Rimer was a General Partner of The Barksdale Group and, previously, Managing Director of Hambrecht & Quist's (now JP Morgan) Equity Research Group.

Lord Rothschild (age 72)
Independent Non-Executive Director and Deputy Chairman ○

Lord Rothschild was appointed as a Director, Deputy Chairman and Senior Independent Non-Executive Director of the Company on 17 November 2003. Lord Rothschild relinquished the position of Senior Independent Non-Executive Director on 12 June 2007. Lord Rothschild is Chairman of RIT Capital Partners plc and Five Arrows Limited. He co-founded Global Asset Management and J Rothschild Assurance, the life assurance company now part of the St James's Place Group. In addition to his career in the world of finance, he has been involved in philanthropy and public service.

Arthur Siskind (age 69)
Non-Executive Director ○

Arthur Siskind was appointed as a Director of the Company on 19 November 1991. Mr Siskind has been the Senior Advisor to the Chairman of News Corporation since January 2005. Mr Siskind has been an Executive Director of News Corporation since 1991 and was Group General Counsel of News Corporation from March 1991 until December 2004. Mr Siskind was Senior Executive Vice President of News Corporation from January 1996 until December 2004 and an Executive Vice President of News Corporation from February 1991 until January 1996. Mr Siskind has been a Director of NDS since 1996 and was a Director of News America Incorporated from 1991 until January 2005 and a Director of Star from 1993 until January 2005. Mr Siskind was Senior Executive Vice President and General Counsel of FEG from August 1998 until January 2005 and a Director from August 1998 to March 2005. Mr Siskind was an Adjunct Professor of Law at the Georgetown Law Center from 2005 to 2007. Mr Siskind has been an Adjunct Professor of Law at the Cornell Law School since 2007. Mr Siskind has been a member of the Bar of the State of New York since 1962.

Lord Wilson of Dinton (age 65)
Independent Non-Executive Director ○

Lord Wilson of Dinton was appointed as a Director of the Company on 13 February 2003. Lord Wilson retired from the Civil Service in 2002 after serving 36 years in a number of UK Government departments including the Department of the Environment (appointed Permanent Secretary in 1992), the Home Office (appointed Permanent Under Secretary in 1994), and Secretary of the Cabinet and Head of the Home Civil Service in January 1998. Since his retirement in September 2002, Lord Wilson has been Master of Emmanuel College, Cambridge. In October 2006, he became Non-Executive Chairman of C. Hoare and Co, Bankers. From April 2003 until October 2007, Lord Wilson was a Non-Executive Director of Xansa plc. Lord Wilson was made a peer in November 2002.

Summary Directors’ report

Directors’ report

A more detailed Directors’ report is included in the Company’s Annual Report which is available for download from the Company’s corporate website at www.sky.com/corporate.

Dividends

The Directors recommend a final dividend for the year ended 30 June 2008 of 9.625 pence per ordinary share which, together with the interim dividend of 7.125 pence paid to shareholders on 18 April 2008, will make a total dividend for the year of 16.75 pence (2007: 15.50 pence). Subject to approval at the Annual General Meeting (AGM), the final dividend will be paid on 14 November 2008 to shareholders appearing on the register at the close of business on 24 October 2008.

Share capital

On 30 July 2008, the following companies, or their subsidiary undertakings, held more than 3% of the Company’s share capital:

News UK Nominees Limited (a subsidiary of News Corporation)	39.14%
Brandes Investment Partners L.P.	3.12%
The Capital Group Companies, Inc	3.10%
Legal & General Group plc	3.03%

Corporate governance

The Company is committed to maintaining high standards of corporate governance in its management of the affairs of the Group and when accounting to shareholders. The Company values its dialogue with both institutional and private investors. For the benefit of private investors, the Company produces this short-form Annual Review which contains the information believed to be of most interest to them.

A more detailed corporate governance report is included in the Company’s Annual Report which is available for download from the Company’s corporate website at www.sky.com/corporate.

Charitable contributions and community and environmental activities

The Bigger Picture Review, the Group’s sixth Corporate Responsibility Review, which does not form part of the Annual Review, will be published in October 2008, and will provide further information on the Group’s commitment to corporate responsibility, including community and environmental activities (see www.sky.com/responsibilities).

An overview of the Group’s community and environmental activities is also included in the Company’s Annual Report which is available for download from the Company’s corporate website.

Directors

The names and biographical details of the Directors of the Company are given on pages 26 and 27.

At the Company’s 2008 AGM Andrew Griffith and Daniel Rimer will retire and offer themselves for reappointment in accordance with the Company’s Articles of Association. David Evans, Allan Leighton, James Murdoch and Lord Wilson of Dinton retire from the Board by rotation and, being eligible, offer themselves for reappointment at this AGM. Lord Rothschild will also retire from the Board by rotation at this year’s AGM but will not be seeking reappointment by the shareholders. David DeVoe and Arthur Siskind are subject to annual reappointment in accordance with requirement A.7.2 of the Combined Code, as they have served as Non-Executive Directors for longer than nine years.

Annual General Meeting

The notice convening the AGM, to be held at The Cumberland Hotel, Great Cumberland Place, London W1H 7DL on 26 September 2008 at 10.00am, is available for download from the Company’s corporate website at www.sky.com/corporate.

By order of the Board,
Dave Gormley
Company Secretary
30 July 2008

Summary report on Directors' remuneration

1. Remuneration Committee

1.1 Role of the Remuneration Committee and terms of reference

The Remuneration Committee (Committee) is responsible for recommendations to the Board regarding:

- the design and implementation of incentive compensation arrangements including share-based schemes;
- remuneration packages for Executive Directors of the Company, including basic salary, performance-based bonus and long-term incentives, pensions and other benefits; and
- the Company's policy on remuneration for Board Directors and other Senior Executives of the Group who report directly to the CEO. In the latter case, decisions shall be recommended to the Committee by the CEO.

The Committee sets the performance targets applicable to incentive compensation arrangements. As part of this process, it seeks to ensure that such packages provide employees with appropriate incentives to perform, reflect their positions and roles within the Group, and that the employees are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Group. Payments or benefits offered to employees in excess of £250,000 which do not form part of an employee's expected remuneration or benefits require the approval of the Committee.

The Committee met three times during the year.

The full terms of reference for the Committee are available on the Company's corporate website.

1.2 Membership of the Committee

The Committee was comprised of the following Independent Non-Executive Directors throughout the year ended 30 June 2008:

- David Evans
- Nicholas Ferguson (Chairman)
- Jacques Nasser

During the year, the Committee sought the advice of James Murdoch as CEO until 6 December 2007, and then Jeremy Darroch on matters relating to the Executive Directors and Senior Executives who report to the CEO and advice from the Director for People. The Committee was supported by the Company Secretary, the finance and the human resources functions. No Director was present when matters affecting his remuneration were considered. The former Chairman Rupert Murdoch until 6 December 2007, did not attend any Committee meetings during the year. James Murdoch has attended one meeting of the Committee.

2. Advisors

The Committee has engaged the services of both a lead adviser Patterson Associates LLP and a support adviser Hewitt New Bridge Street (formerly New Bridge Street Consultants LLP). The lead adviser advises the Committee and the Company on overall direction and acts as the primary lead for advice. The support adviser advises on share-based awards, performance monitoring, remuneration data and accounting including IFRS and US GAAP for any existing or new incentives and remuneration schemes and provides analytical support. The support adviser works in conjunction with the lead adviser and they provided no other services to the Company during the year.

3. Remuneration policy

The Committee's reward policy reflects its aim to align Executive Directors' remuneration with shareholders' interests and to engage and retain world-class executive talent for the benefit of the Group. The main principles of the policy are that:

- total rewards should be set at appropriate levels to reflect the competitive market in which the Group operates;
- the majority of the total reward should be linked to the achievement of demanding performance targets; and
- appropriate benchmarks are used when reviewing the salaries of the Executive Directors and Senior Executives. The Company uses a subset of the FTSE 100 as its benchmark.

In formulating its remuneration policy, the Committee is keen to understand shareholders' views on executive remuneration. From time to time, the Company holds consultation meetings with a range of institutional investors, concerning aspects of the Committee's policy, and has taken their advice into account in arriving at remuneration decisions.

The Committee believes that performance share awards continue to be the best long-term incentive vehicle for Executive Directors and Senior Executives.

The Committee also believes that the Group's historically strong operational performance has led investors to expect continued excellence in operational delivery. Accordingly, 70% of the Long-Term Incentive Plan (LTIP) vests based on operational performance, while 30% vests based on Total Shareholder Return (TSR) relative to the constituents of the FTSE 100. The operational performance conditions chosen to date include earnings per share (EPS), free cash flow per share (FCF) and Direct to Home (DTH) subscriber growth. The Committee will decide on appropriate performance conditions for future awards. It is currently expected that these will be similar to those currently used.

All LTIP programmes are now measured over three years using the performance measures described above for the LTIP.

The Committee also recognises that the interactions between different areas of the business in creating long-term shareholder value are complex. Rather than Senior Executives being incentivised primarily through measures relevant to their own business area, their remuneration emphasises a critical set of Group-wide goals in order to maximise the benefits of teamwork and collaboration across the Group.

The Executive Directors of the Company are employed on 12-month rolling contracts.

4. Elements of Executive Director remuneration

4.1 Remuneration Mix

The Executive Directors' and Senior Executives' total direct compensation consists of salary, annual bonus, long-term incentives, pensions and other benefits. This reward structure is regularly reviewed by the Committee to ensure that it continues to support the Group's objectives (see chart below).

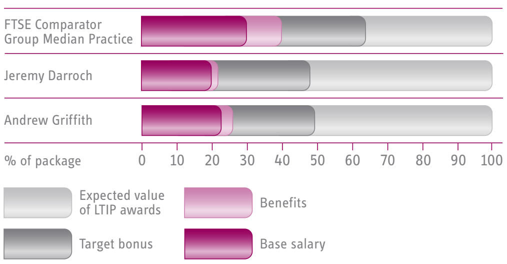
Overview of current remuneration elements for executives, including Executive Directors

Element	Objective	Performance conditions
Basic salary (see section 4.2)	Reflects the market value of the position, as well as the skills and experience of the incumbent	Reviewed annually on the basis of external market benchmarking and/or reference to internal positioning
Annual bonus (see section 4.3)	Rewards achievement of short-term objectives set during the year	Cash award is subject to achievement of team and individual objectives. For Executive Directors, award is wholly dependent on Group-level objectives (earnings, cash and subscriber growth)
LTIP (see section 4.4)	Rewards the achievements of long-term objectives	30% of the award is subject to achievement of relative TSR performance vs. the FTSE 100 over three years. 70% of the award is subject to achievement of operating targets for EPS, FCF and DTH subscriber growth
Pension and other benefits (see sections 6 and 7)	Set below market norms, to reflect higher proportion of performance pay	Not applicable

Performance-related elements of pay represent a higher proportion of remuneration than market norms. This, combined with the fact that BSkyB's pension arrangements for Executive Directors are considerably less generous than those found at comparable companies, means that a large amount of pay is at risk. Pay is very competitive if BSkyB's stretching targets are delivered, but if these targets are not met, the 'guaranteed' elements of pay are below market norms.

The proportions of fixed and variable pay vary with performance outcomes. However, for target performance, approximately three-quarters of Executive Directors' remuneration is performance-related in the year ended 30 June 2008, as shown by the chart below:

Remuneration mix



Notes to chart:

- FTSE Comparator Group is 10 companies above and 10 companies below BSkyB in the FTSE 100, ranked by market capitalisation on 30 April 2008.
- Comparator pay data was taken from the most recently available annual reports at 30 April 2008.
- Annual bonus valuation assumes on-target performance.
- LTIP valuation assumes annualised expected value, where expected value is face value at the time of grant, discounted to reflect expected vesting for target performance.

4.2 Basic salary

The basic salary for each Executive Director and Senior Executive is determined by the Committee taking into account the recommendations of the CEO (other than in respect of his own salary) and information provided from external sources relative to the industry sectors in which the Group operates and companies of a similar size. Salaries for the CEO and CFO are periodically benchmarked against equivalent roles in comparable companies.

There was no change to James Murdoch's salary between the beginning of this financial year and 6 December 2007, when he ceased to be CEO. During the period that he was CFO in this financial year, there was no change to Jeremy Darroch's salary; however, it increased by 29% upon his appointment as CEO on 7 December 2007. Andrew Griffith was awarded a salary of £450,000 upon his appointment as CFO on 7 April 2008. These salaries reflect the Committee's view of the appropriate base salary on appointment for roles of this complexity in a rapidly evolving business environment, taking into account a range of market benchmarks as described above. Over time, it should be expected that these salaries would increase to industry market levels as each individual gains experience in their respective roles.

4.3 Annual bonus

Executive Directors and Senior Executives participate in a bonus scheme under which awards are made to participants at the discretion of the Committee. For the Executive Directors the level of bonus paid depends purely on Group-wide operational performance measures, specifically: operating profit, free cash flow and DTH subscriber growth. These measures were chosen to reflect the tensions inherent in balancing growth, investment and returns to shareholders: an improvement in one measure may come at the expense of improvement in another.

For the CEO, the maximum bonus that may be awarded is 200% of salary, while for the CFO the maximum bonus that may be awarded is 125% of salary, and for on target performance they would receive 130% and 100% of salary respectively.

For performance in the year ended 30 June 2008, which exceeded target by a substantial margin, the CEO and CFO were awarded the following bonus payments:

	Bonus amount (£)	As a % of salary
Jeremy Darroch	1,216,250	162%
Andrew Griffith	450,000	100%
James Murdoch	827,292	80%

For the year 1 July 2008 to 30 June 2009, the operational measures that will govern bonus payouts will again be: operating profit, free cash flow, and DTH subscriber growth.

Although bonus awards are primarily driven by performance relative to the stated measures, the Committee retain the discretion to adjust payouts (up and down), as an exception, if they feel that an important aspect of performance has not been reflected.

4.4 LTIP

The Company operates an LTIP for Executive Directors and Senior Executives, under which awards may be made to any employee or full-time Executive Director of the Group at the discretion of the Committee. Awards under the scheme are made as a nil priced option. Awards are not transferable or pensionable and are made over a number of shares in the Company, determined by the Committee. LTIP awards are satisfied using shares purchased in the market.

The current LTIP plan was approved by shareholders on 30 October 1998, and expires on 30 October 2008. The rules have been re-drafted and updated in 2008, and will be submitted for shareholder approval at the AGM on 26 September 2008. These updates primarily concern technical improvements and clarifications, a summary of which can be found in the Notice of Annual General Meeting.

Design of LTIP plan

The LTIP has a structure tailored to the needs of the Company in which grants are made every year, but vesting occurs biennially, designed to reduce Executives' reliance on annual vesting of LTIP awards. In the first year, an Executive is granted an award of shares that vests at the end of the three year performance cycle, subject to performance conditions. In the second year, a further discretionary award of up to normally no more than 100% of the year one award can be made. This award vests at the same time as the first award. While second year grants are linked to the previous year and therefore capped, the size of first year grants are determined by the Committee on the basis of a range of factors including internal and external market benchmarks. The grant is made in terms of a number of shares (as opposed to a monetary value) and therefore values in relation to salary may vary with share price movements.

Performance conditions for LTIP plan

The awards vest, in full or in part, dependent on points gained for satisfying performance targets measured over three years. Performance targets are calibrated to ensure the achievement of Sky's stretching long-term goals, and the cumulative total points achieved governs vesting. The extent to which performance targets have been met is reviewed by the Committee regularly and at the date of vesting of each award.

Awards which vested in August 2007

The awards made in 2004 and 2005 vested on 11 August 2007. Vesting of 70% of the awards was subject to operational performance, as follows:

Operational performance measure	Target	Extent to which target achieved
EPS growth	Retail Price Index (RPI) + 7%	142%
Free cash flow per share	Undisclosed (commercially sensitive)	106%
Growth in DTH subscriber numbers	Undisclosed (commercially sensitive)	109%

As performance on all three of these measures exceeded targets, this portion of the awards vested in full. Vesting of the remaining 30% of the awards was subject to TSR performance relative to the constituents of the FTSE 100 at the time of grant. Despite the strong operational performance of the Company during the three year period ending 10 August 2007, the Company's TSR performance was below median and accordingly the TSR portion of these awards lapsed.

Awards vesting in August 2009

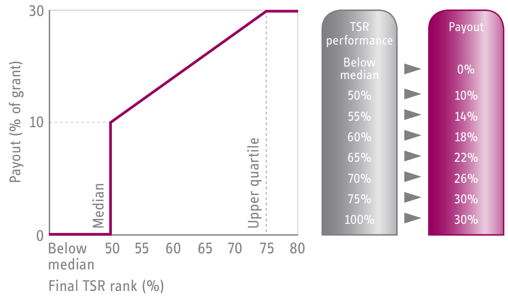
Awards were made in August 2006, 30 July 2007, 6 February 2008 and 30 April 2008 to Executive Directors as detailed in section 13 (LTIP) of this report. The first two of these awards were regular annual LTIP awards made to the CEO and CFO, reflecting market benchmarks and the Committee's desire to ensure that incentive compensation for Executive Directors was tied to an appropriate mix of long-term, stretching performance goals. The awards made in February and April 2008 were one-off awards made to Jeremy Darroch and Andrew Griffith upon their appointments as CEO and CFO respectively, to make their overall award level for the year commensurate with someone holding that position.

These awards are due to vest in August 2009, and are subject to performance in the preceding three years. As in previous years, vesting of 70% of the award is dependent on operational measures, while 30% is governed by TSR performance. The specifics of the measures and targets are as follows:

i) Operational performance (governing 70% of award)
Points are awarded for performance on three operational measures shown in the chart below:

ii) TSR performance (governing 30% of award)
The Company's TSR performance is measured relative to the constituents of the FTSE 100 at the time of grant. If the Company's TSR performance is below median, the TSR element of the award lapses with no vesting. For median performance, one third of the TSR portion of the award vests. For performance in the upper quartile, the whole TSR portion of the award vests. For performance between median and upper quartile, vesting is on a straight-line basis, as shown in the chart below:

TSR vesting schedule



TSR calculations are conducted independently by Hewitt New Bridge Street, employing a methodology which averages share prices over three months prior to grants and the three months prior to the end of the three year performance period.

EPS growth		Free cash flow per share		DTH subscriber growth	
Performance achieved	Points awarded	Performance achieved (% of target)	Points awarded	Performance achieved (% of target)	Points awarded
RPI + 8% pa	10	105% or more	10	105% or more	10
RPI + 7% pa	8	100%	8	100%	8
RPI + 6% pa	6	95%	6	95%	6
RPI + 5% pa	4	90%	4	90%	4
RPI + 4% pa	2	85%	2	85%	2
RPI + 3% pa	1	75%	1	75%	1
Less than RPI + 3% pa	0	Less than 75%	0	Less than 75%	0

The total number of points awarded governs the extent of vesting of the operational portion, according to a straight-line vesting schedule:

	Resulting vesting	
Total points awarded	% of operational portion	% of overall award
Less than 1	0%	0%
1	10%	7%
1 – 21	10% – 100% on a straight-line basis	7% – 70% on a straight-line basis
21 or more	100%	70%

5. Other share plans

5.1 Management Long-Term Incentive Plan (Management LTIP)

The Company also operates a Management LTIP, which has replaced options granted under the Executive Share Option Scheme. Selected employees will participate in the Management LTIP, but this will not include any Executive Directors or Senior Executives who participate in the LTIP. Awards under this scheme are made at the discretion of the CEO. To date, the Management LTIP has mirrored the LTIP for Senior Executives and Executive Directors, with the same performance conditions. Awards that are exercised under the Management LTIP can only be satisfied by the delivery of shares purchased in the market.

5.2 Executive Share Option Schemes (Executive Schemes)

The Company has in place Approved and Unapproved Executive Share Option Schemes under Her Majesty's Revenue & Customs (HMRC) guidelines. Executive Directors and Senior Executives who participate in the LTIP do not participate in the Executive Schemes. No options have been granted since 2004 and the Company currently has no intention of making grants under the Executive Scheme in the foreseeable future.

5.3 Sharesave Scheme

The Sharesave Scheme is open to all UK and Irish employees, including Executive Directors. Options are normally exercisable after either three or five years from the date of grant. The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation. It is the policy of the Group to make an invitation to employees to participate in the scheme following the announcement of the year-end results.

6. Pensions

The Group provides pensions to eligible employees through the BSkyB Pension Plan (Pension Plan), which is a defined contribution plan. Employees contribute a minimum of 4% of pensionable salary (basic salary less pension offset) into the Pension Plan each year and the Group matches this with a contribution of 8% of pensionable salary.

7. Other benefits

Executive Directors are entitled to use of a company car, life assurance equal to two times base salary, increased to four times base salary when they become members of the Pension Plan, and private medical insurance.

8. Service agreements

The Committee's stated policy is that Executive Directors' service agreements will contain a maximum notice period of one year. The Committee will also consider, where appropriate to do so, reducing remuneration to a departing Director. However, the Committee will consider such issues on a case-by-case basis and will consider the terms of employment of a departing Director. A large proportion of each Executive Director's total direct remuneration is linked to performance and therefore will not be payable to the extent that the relevant targets are not met.

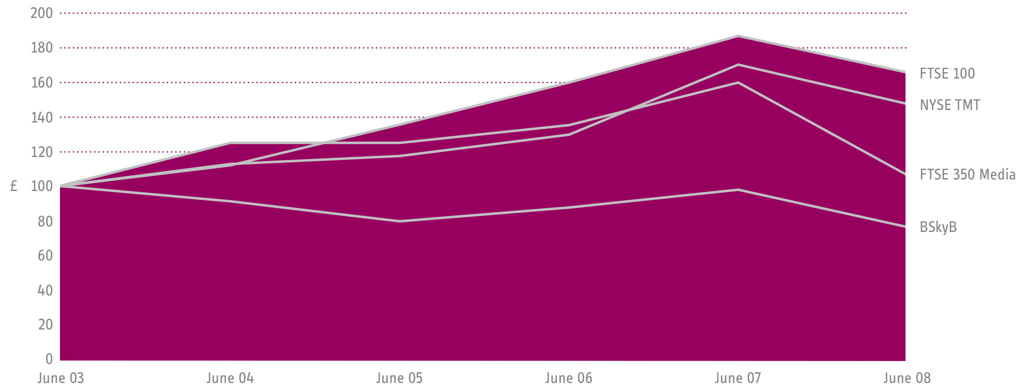
9. Non-Executive Directors

There has been no increase in the basic fees payable to the Non-Executive Directors and the Chairman set by the Board of Directors for the financial year ending 30 June 2009; basic fees are £50,000 (2008: £50,000). Furthermore, the Non-Executive Directors will be paid an additional £10,000 (2008: £10,000) per annum each for membership of the Audit Committee, the Remuneration Committee and the Corporate Governance and Nominations Committee. The Chairman and the Chairmen of the Audit Committee, the Remuneration Committee and the Corporate Governance and Nominations Committee each receive an additional £25,000 per annum (2008: £25,000). The Deputy Chairman will receive an additional fee of £10,000 per annum (2008: £10,000). Finally, the Senior Independent Director will receive an additional fee of £15,000 per annum (2008: £15,000). Each Non-Executive Director is engaged by the Company for an initial term of three years. Reappointment for a further term is not automatic, but may be mutually agreed.

10. Performance graph

The following graph shows the Company's performance measured by TSR in the five years to 30 June 2008. This graph shows the growth in the value of a hypothetical £100 holding in the Company's ordinary shares over five years, relative to three indices, which are considered to be the most relevant broad equity market indices for this purpose. The graph is included to meet a legislative requirement and is not directly relevant to the performance criteria approved by shareholders for the Company's long-term incentive plans.

Breakdown of shareholder return from 1 July 2003 to 30 June 2008



Source: Thomson Financial

11. Share interests

The interests of the Directors in the ordinary share capital of the Company during the year were:

Name of Director	At 30 June 2008	At 30 June 2007
Jeremy Darroch	60,000	–
David Evans	16,000[(i)]	16,000[(i)]
Nicholas Ferguson	10,000	10,000
Andrew Higginson	2,160	2,104
Lord Rothschild	100,000	100,000
Lord Wilson of Dinton	486	486

This table is audited.

(i) Held in the form of 4,000 American Depositary Shares, one American Depositary Share (ADS) is equivalent to four ordinary shares.

Lord Rothschild is also deemed to be interested in two million ordinary shares registered in the name of Bank of New York Nominees, as a result of being a director of RIT Capital Partners plc; and in 18,750 ordinary shares as a result of being a trustee of two charitable foundations of which Lord Rothschild is not a beneficiary.

Except as disclosed in this report, no other Director held any interest in the share capital, including options, of the Company, or of any subsidiary of the Company, during the year. All interests at the date shown are beneficial and there have been no changes between 1 July 2008 and 30 July 2008.

During the year ended 30 June 2008, the share price traded within the range of 465.0p to 713.5p per share. The middle-market closing price on the last working day of the financial year was 465.0p.

12. Directors' remuneration

The emoluments of the Directors for the year are shown below:

	Salary and fees £	Bonus scheme £	Benefits £	Total emoluments before pension 2008 £	Pensions £	Total emoluments including pension 2008 £	Total emoluments including pension 2007 £	Total emoluments including pension 2006 £
Executive								
Jeremy Darroch(i)	675,029	1,216,250	17,132	1,908,411	53,639	1,962,050	1,423,752	1,324,958
Andrew Griffith(ii)	106,154	450,000	2,948	559,102	8,402	567,504	–	–
Non-Executive								
James Murdoch(iii)	493,897	827,292	349	1,321,538	35,937	1,357,475	2,993,124	2,749,285
Chase Carey	50,000	–	–	50,000	–	50,000	44,700	42,600
David F. DeVoe	50,000	–	–	50,000	–	50,000	44,700	42,600
David Evans	60,000	–	–	60,000	–	60,000	49,700	47,600
Nicholas Ferguson	104,603	–	–	104,603	–	104,603	59,700	51,805
Andrew Higginson	60,000	–	–	60,000	–	60,000	49,700	47,600
Allan Leighton	85,000	–	–	85,000	–	85,000	59,700	57,600
Jacques Nasser	60,000	–	–	60,000	–	60,000	49,700	53,395
Gail Rebuck	60,000	–	–	60,000	–	60,000	49,700	47,600
Daniel Rimer(iv)	11,795	–	–	11,795	–	11,795	–	–
Lord Rothschild	68,629	–	–	68,629	–	68,629	59,700	57,600
Arthur Siskind	60,000	–	–	60,000	–	60,000	49,700	47,600
Lord Wilson of Dinton	85,000	–	–	85,000	–	85,000	59,700	57,600
Former Directors								
Rupert Murdoch(v)	32,404	–	–	32,404	–	32,404	54,700	52,600
Lord St John of Fawsley(vi)	–	–	–	–	–	–	15,244	42,600
Total emoluments	2,062,511	2,493,542	20,429	4,576,482	97,978	4,674,460	5,063,520	4,723,043

This table is audited.

(i) Jeremy Darroch received a salary of £577,500 per annum up to 6 December 2007 which was increased to £750,000 on 7 December 2007 following his appointment as CEO.
(ii) Andrew Griffith was appointed as a Director to the Board on 7 April 2008.
(iii) James Murdoch received a salary of £1,045,000 per annum up to 6 December 2007, which was reduced to £75,000 per annum on 7 December 2007 following his appointment as Non-Executive Chairman.
(iv) Daniel Rimer was appointed as a Non-Executive Director on 7 April 2008.
(v) Rupert Murdoch resigned as a Director of the Company on 6 December 2007.
(vi) Lord St John of Fawsley resigned as a Director of the Company on 3 November 2006.

13. LTIP

Details of all outstanding awards held under the LTIP are shown below:

Name of Director	Number of shares under award: At 30 June 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2008	Exercise price	Market price at date of exercise	Date of award	Market price at date of award	Date from which exercisable	Expiry date
James Murdoch[(i)]	450,000	–	–	450,000[(i)]	–	n/a	£6.715	11.08.04	£4.770	n/a	n/a
	382,500	–	–	382,500[(i)]	–	n/a	£6.715	08.11.05	£5.015	n/a	n/a
	550,000	–	–	–	550,000[(ii)]	n/a	n/a	03.08.06	£5.425	03.08.09	03.08.10
	–	550,000	–	–	550,000[(ii)]	n/a	n/a	30.07.07	£6.645	03.08.09	03.08.10
Jeremy Darroch	250,000	–	175,000[(iii)]	75,000[(iv)]	–	n/a	£6.5342	16.08.04	£4.715	n/a	n/a
	212,500	–	148,750[(iii)]	63,750[(iv)]	–	n/a	£6.5342	08.11.05	£5.015	n/a	n/a
	290,000	–	–	–	290,000	n/a	n/a	03.08.06	£5.425	03.08.09	03.08.10
	–	290,000	–	–	290,000	n/a	n/a	30.07.07	£6.645	03.08.09	03.08.10
	–	295,000	–	–	295,000	n/a	n/a	06.02.08	£5.770	03.08.09	03.08.10
Andrew Griffith	100,000[(v)]	–	–	–	100,000	n/a	n/a	03.08.06	£5.425	03.08.09	03.08.10
	50,000[(v)]	–	–	–	50,000	n/a	n/a	30.05.07	£6.635	03.08.09	03.08.10
	–	125,000[(v)]	–	–	125,000	n/a	n/a	30.07.07	£6.645	03.08.09	03.08.10
	–	125,000	–	–	125,000	n/a	n/a	30.04.08	£5.450	03.08.09	03.08.10

This table is audited.

Notes: The performance conditions attaching to these awards are set out in section 4.4 (LTIP). The aggregate amount received by the Directors under the LTIP was £5,636,562 (2007: nil). James Murdoch's LTIP entitlement was settled in cash.

(i) Under the terms of James Murdoch's service agreement, the Company elected to pay him in cash an amount equal to the then market value of the 582,750 shares that vested. The market price of the shares at the time of the payment was 671.5p. Furthermore, upon the payment made to James Murdoch, the awards lapsed.

(ii) These options remain exercisable to the fullest extent subject to the achievement of the performance conditions. Again, the Company may elect to pay cash.

(iii) Jeremy Darroch exercised in total 323,750 shares of which 263,750 were sold and 60,000 shares were retained as a personal interest.

(iv) See performance conditions for LTIP plan on page 30.

(v) These awards were made under the Company's management LTIP plan prior to Andrew Griffith's appointment as a Director of the Company on 7 April 2008.

14. Executive share options

Details of all outstanding options held under the Executive Schemes are shown below:

Name of Director	Number of shares under options: At 30 June 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2008	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
Andrew Griffith[(i)]	3,030[(ii)]	–	–	–	3,030	£9.90	n/a	23.11.03	23.11.10
	25,222	–	–	–	25,222	£9.90	n/a	23.11.03	23.11.10
	40,025	–	–	–	40,025	£7.94	n/a	06.11.04	06.11.11
	44,184	–	–	–	44,184	£6.62	n/a	01.09.07	05.09.13
	19,819[(ii)]	–	–	–	19,819	£5.03	n/a	06.08.08	06.08.14

This table is audited.

(i) These are all awards that are outstanding following Andrew Griffith's appointment as a Director on 7 April 2008.

(ii) These options will vest upon the achievement of the performance target, being the growth in BSkyB's EPS being equal to or greater than the increase in RPI plus 3% per annum.

15. Sharesave scheme options

Details of all outstanding options held under the Sharesave Scheme are shown below:

Name of Director	Number of shares under options: At 30 June 2007	Granted during the year	Exercised during the year	At 30 June 2008	Exercise price	Date from which exercisable	Expiry date
Jeremy Darroch	4,281	–	–	4,281	£3.86	01.02.10	01.08.10

Options under the Company's Sharesave Scheme are not subject to performance conditions.

This table is audited.

Signed on behalf of the Board, Nicholas Ferguson
Remuneration Committee Chairman, 30 July 2008

Summary financial statements

Summary Consolidated Income Statement
for the year ended 30 June 2008

	2008 £m	2007 £m
Revenue	4,952	4,551
Operating expense	(4,228)	(3,736)
Operating profit	724	815
Share of results of joint ventures and associates	15	12
Investment income	47	46
Finance costs	(177)	(149)
Profit on disposal of joint venture	67	–
Impairment of available-for-sale investment	(616)	–
Profit before tax	60	724
Taxation	(187)	(225)
(Loss) profit for the year	(127)	499
(Loss) earnings per share from (loss) profit for the year (in pence)		
Basic	(7.3p)	28.4p
Diluted	(7.3p)	28.2p
Adjusted earnings per share from adjusted profit for the year (in pence)		
Basic	25.1p	26.3p
Diluted	25.0p	26.1p
Dividends per share (in pence)		
Final – paid in respect of prior year	8.900p	6.700p
Interim paid	7.125p	6.600p
Final – proposed for approval at the 2008 AGM	9.625p	–

Summary Consolidated Statement of Recognised Income and Expense
for the year ended 30 June 2008

	2008 £m	2007 £m
(Loss) profit for the year	(127)	499
Net loss recognised directly in equity		
Loss on available-for-sale investments	(192)	(151)
Cash flow hedges	43	(70)
Tax on cash flow hedges	(13)	21
Exchange differences on translation of foreign operations	4	–
	(158)	(200)
Amounts reclassified and reported in the income statement		
Cash flow hedges	2	109
Tax on cash flow hedges	–	(33)
Transfer to (loss) profit on impairment of available-for-sale investment	343	–
	345	76
Net profit (loss) recognised directly in equity	187	(124)
Total recognised income and expense for the year	60	375

Summary Consolidated Balance Sheet
as at 30 June 2008

	2008 £m	2007 £m
Non-current assets		
Goodwill	852	741
Intangible assets	303	261
Property, plant and equipment	722	670
Investments in joint ventures and associates	114	34
Available-for-sale investments	338	797
Deferred tax assets	23	54
Trade and other receivables	19	–
Derivative financial assets	13	–
	2,384	2,557
Current assets		
Inventories	310	384
Trade and other receivables	566	524
Short-term deposits	185	15
Cash and cash equivalents	632	435
Derivative financial assets	5	5
	1,698	1,363
Total assets	4,082	3,920
Current liabilities		
Borrowings	338	16
Trade and other payables	1,294	1,295
Current tax liabilities	151	144
Provisions	27	8
Derivative financial liabilities	83	36
	1,893	1,499
Non-current liabilities		
Borrowings	2,108	2,014
Trade and other payables	67	84
Provisions	22	18
Derivative financial liabilities	160	258
	2.357	2,374
Total liabilities	4,250	3,873
Shareholders' (deficit) equity	(168)	47
Total liabilities and shareholders' (deficit) equity	4,082	3,920

These summary financial statements have been approved by the Board of Directors on 30 July 2008 and were signed on its behalf by:

Jeremy Darroch
Chief Executive Officer

Andrew Griffith
Chief Financial Officer

Summary Consolidated Cash Flow Statement

for the year ended 30 June 2008

	2008 £m	2007 £m
Cash flows from operating activities		
Cash generated from operations	997	1,007
Interest received	43	46
Taxation paid	(163)	(128)
Net cash from operating activities	**877**	**925**
Cash flows from investing activities		
Dividends received from joint ventures and associates	11	9
Net funding to joint ventures and associates	(6)	(3)
Purchase of property, plant and equipment	(215)	(292)
Purchase of intangible assets	(124)	(64)
Purchase of available-for-sale investments	(6)	(947)
Purchase of subsidiaries (net of cash and cash equivalents purchased)	(72)	(104)
Proceeds from the sale of subsidiaries	3	–
(Increase) decrease in short-term deposits	(170)	632
Net cash used in investing activities	**(579)**	**(769)**
Cash flows from financing activities		
Proceeds from borrowings	383	295
Repayment of borrowings	(16)	(192)
Repayment of obligations under finance leases	(1)	–
Proceeds from disposal of shares in Employee Share Ownership Plan (ESOP)	22	37
Purchase of own shares for ESOP	(45)	(76)
Purchase of own shares for cancellation	–	(214)
Interest paid	(165)	(154)
Dividends paid to shareholders	(280)	(233)
Net cash used in financing activities	**(102)**	**(537)**
Effect of foreign exchange rate movements	1	–
Net increase (decrease) in cash and cash equivalents	**197**	**(381)**
Cash and cash equivalents at the beginning of the year	435	816
Cash and cash equivalents at the end of the year	**632**	**435**

Summary financial statements

The summary financial statements, summary Directors' report and summary report on Directors' remuneration contained within this document are only a summary of the information provided in the consolidated financial statements and Directors' report contained within the Annual Report. The auditors' report on the Company's annual accounts was unqualified. The information has been prepared in accordance with the accounting policies as set out in the Annual Report. These summaries do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be allowed by the Annual Report, which contains more detail. A copy of the Annual Report can be obtained, free of charge, by writing to the Company Secretary at Grant Way, Isleworth, Middlesex TW7 5QD or it can be downloaded from the Company's website at www.sky.com/corporate. To elect to receive the Annual Report for future years, write to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

The summary financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, the Companies Act 1985 and Article 4 of the IAS Regulations.

Forward-looking statements

This Annual Review contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business, and our strategy, plans and objectives. These statements include, without limitation, those that express forecasts, expectations and projections with respect to the potential for growth of free-to-air and pay television, fixed line telephony, broadband and bandwidth requirements, advertising growth, DTH subscriber growth, Sky Multiroom, Sky+ and other services penetration, churn, DTH and other revenue, profitability and margin growth, cash flow generation, programming and other costs, subscriber acquisition costs and marketing expenditure, capital expenditure programmes and proposals for returning capital to shareholders.

These statements (and all other forward-looking statements contained in this Annual Review) are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward-looking statements. These factors include, but are not limited to, the fact that we operate in a highly competitive environment, the effects of laws and government regulation upon our activities, our reliance on technology, which is subject to risk, change and development, failure of key suppliers, our ability to continue to obtain exclusive rights to movies, sports events and other programming content, risks inherent in the implementation of large-scale capital expenditure projects, our ability to continue to communicate and market our services effectively, and the risks associated with our operation of digital television transmission in the United Kingdom (UK) and Republic of Ireland (Ireland). Information on some of the risks and uncertainties associated with our business are described in the "Directors' report – review of the business – Risk Factors" section of our Annual Report for the year ended 30 June 2008. Except as required by law, we undertake no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of measures not defined under IFRS

This Annual Review contains certain information on the Group's financial position, operating results and cash flows that have been derived from measures calculated in accordance with IFRS. This information should not be read in isolation of the related IFRS measure.

Glossary of terms

Term	Description
Adjusted earnings per share	Adjusted profit divided by the weighted average number of ordinary shares during the year.
Adjusted operating profit	Operating profit before taking account of exceptional items.
ARPU	Average Revenue Per User: the amount spent by the Group's residential subscribers in the quarter, divided by the average number of residential subscribers in the quarter, annualised.
Churn	The number of DTH subscribers over a given period that terminate their subscription in its entirety, net of former subscribers who reinstate their subscription in that period (where such reinstatement is within a twelve month period of the termination of their original subscription), expressed as a percentage of total average subscribers.
Customer	A subscriber to a DTH service.
DTH	Direct-to-home: the transmission of satellite services with a reception through a mini-dish.
EBITDA	Earnings before interest, taxation, depreciation and amortisation is calculated as operating profit before depreciation and amortisation or impairment of goodwill and intangible assets.
Effective tax rate	The total tax charge as a percentage of profit before exceptional items.
Free cash flow	The amount of cash generated by Sky after meeting obligations for interest and tax, and after all capital investment and net cash flows relating to our joint ventures and associates.
Gross margin	Revenue less programming expenses as a proportion of revenue.
Gross profit	Revenue less programming expense.
Net debt	Cash, cash-equivalents, short-term deposits, net of borrowings and borrowings related derivative financial instruments.
Product	Any service chosen by a Sky customer. These include DTH, Sky+, Sky Multiroom, Sky+ HD, Sky Broadband and Sky Talk.
Sale	A sale is a gross addition of any product.
Underlying	Excluding Amstrad & 365 Media as relevant.

Independent auditors' statement to the members of British Sky Broadcasting Group plc

We have examined the summary financial statement which comprises the Summary Consolidated Income Statement, Summary Statement of Recognised Income and Expense, Summary Consolidated Balance Sheet, and the Summary Consolidated Cash Flow Statement and the Summary Directors' Remuneration Report.

This report is made solely to the Company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Review in accordance with United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review with the full annual accounts, the directors' report and the directors' remuneration report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

We also read the other information contained in the Annual Review as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with bulletin 1999/6 The Auditors' Statement on the *Summary Financial Statement* issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Company's full annual financial statements describes the basis of our audit opinions on those financial statements and the Directors' Remuneration Report.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts, the directors' report and the report on Directors' remuneration of British Sky Broadcasting Group plc for the year ended 30 June 2008 and complies with the applicable requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, 30 July 2008

Shareholder information

Share price information
The Company's share price can be found on the Company's corporate website at www.sky.com/corporate and it also appears in the financial columns of the national press under the prefix BSkyB.

Shareholder enquiries
All administrative enquiries, such as notification of change of address or the loss of a share certificate, should be made to Equiniti Limited, whose address is given below. ADS holders should contact The Bank of New York Mellon if they have a query relating to their holding.

Shares online
The Company provides a range of shareholder information online at www.sky.com/corporate. Shareholders can access and view their shareholding and update their details at www.shareview.co.uk.

Electronic shareholder communication
At the Company's AGM in November 2007, the Company gained shareholder approval to adopt changes in the law governing electronic communication. This allows the Company to use its corporate website as the main way to communicate with shareholders, sending out Annual Reports only to those who have opted to receive a paper copy.

The Board regards this as a positive step for both the Company and shareholders. It will reduce our impact on the environment, minimise waste and reduce costs. It will also enable stakeholders to keep updated with developments at Sky as they happen by accessing our website.

Shareholders who have opted to receive shareholder communications in paper form are encouraged to receive these electronically in future by registering at www.shareview.co.uk. Shareholders can also change their instructions at any time by contacting Equiniti Limited.

Dividends
Shareholders can have their dividends paid directly into a UK bank or building society account with the tax voucher sent direct to their registered address. Please contact Equiniti Limited for a dividend mandate form.

During the financial year the Company introduced a new consolidated tax voucher service for those shareholders who have chosen to receive dividends directly into their bank account. A single consolidated tax voucher will be mailed by the end of November each year, to coincide with the final dividend payment. Full details are available at www.sky.com/corporate.

Overseas dividend payments
A service has been established to provide shareholders in over 30 countries worldwide with the opportunity to receive their dividends in their local currency. For a small flat-rate fee, shareholders can have their dividends automatically converted from Sterling and paid into their nominated bank account, normally within five working days of the dividend payment date. For further details, please contact Equiniti Limited on +44 121 415 7567.

Dividend Reinvestment Plan
The Company operates a Dividend Reinvestment Plan (DRIP) which enables shareholders to buy the Company's shares on the London stock market with their cash dividend. Further information about the DRIP is available from Equiniti Limited. The helpline number is 0871 384 2268 from inside the UK and +44 121 415 7173 from overseas.

ShareGift
Shareholders who only have a small number of shares whose value makes it uneconomic to sell them may wish to consider donating them to charity through ShareGift, the independent charity share donation scheme (registered charity no. 1052686). Further information about ShareGift may be obtained from Equiniti Limited or from ShareGift on 020 7337 0501 or at www.sharegift.org. There are no implications for capital gains tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to claim income tax relief.

Shareholder fraud
Fraud is on the increase and many shareholders are targeted every year. If you have any reason to believe that you may have been the target of a fraud, or attempted fraud in relation to your shareholding, please contact Equiniti Limited immediately. To reduce the risk of fraud happening to you please see our list of 'preventing shareholder fraud tips' on our website at www.sky.com/corporate.

Board of Directors
James Murdoch (Chairman)
Lord Rothschild (Deputy Chairman)
Jeremy Darroch (Chief Executive Officer)
Andrew Griffith (Chief Financial Officer)
Chase Carey
David F. DeVoe
David Evans
Nicholas Ferguson (Senior Independent Non-Executive Director and Remuneration Committee Chairman)
Andrew Higginson
Allan Leighton (Audit Committee Chairman)
Jacques Nasser
Gail Rebuck
Daniel Rimer
Arthur Siskind
Lord Wilson of Dinton (Corporate Governance & Nominations Committee Chairman)

Company Secretary
Dave Gormley

Financial calendar
Results for the financial year ending 30 June 2009 will be published:
Q1 October 2008
Q2 January 2009
Q3 April 2009
Q4 August 2009

Company registered office:
Grant Way
Isleworth
Middlesex TW7 5QD
Telephone 0870 240 3000
Overseas +44 20 7705 3000

Company registration number
2247735

The Sky website
The Sky website at www.sky.com details the Company's product offering and provides a link to the Company's corporate website where investor and media information can be accessed.

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone 0871 384 2091
Overseas +44 121 415 7567

American Depositary Receipts
The Company has an American Depositary Receipt (ADR) programme. The ADRs trade under the symbol BSY and each one is equivalent to four ordinary BSkyB shares. The ADRs trade on the New York Stock Exchange. The Bank of New York Mellon is the depository of the ADRs, which evidence the ADSs. ADS holders can access the latest ADS price at www.nyse.com or by visiting The Bank of New York Mellon's website, www.adrbny.com.

For enquiries, please contact:
The Bank of New York Mellon
Investor Services
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
Telephone (US) 1-888-BNY-ADRS
Telephone (International) +1 (212) 815-3700
www.adrbny.com

For more information

To find out more about Sky, please visit
www.sky.com/corporate

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British Sky Broadcasting Group plc
Grant Way, Isleworth,
Middlesex TW7 5QD, England
Telephone 0870 240 3000
Facsimile 0870 240 3060
www.sky.com
Registered in England No.2247735

Charity partner

Global Action Plan
creating the climate for change